NOTE

Some charts and graphs were color-coded in the original document. While it has not been possible to reproduce these items in color, their equivalent values on the black-and-white scale are often distinct enough to convey the same information as the original colors.

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A BILL PUBLICATION FAST FOOD®

Restaurant Business

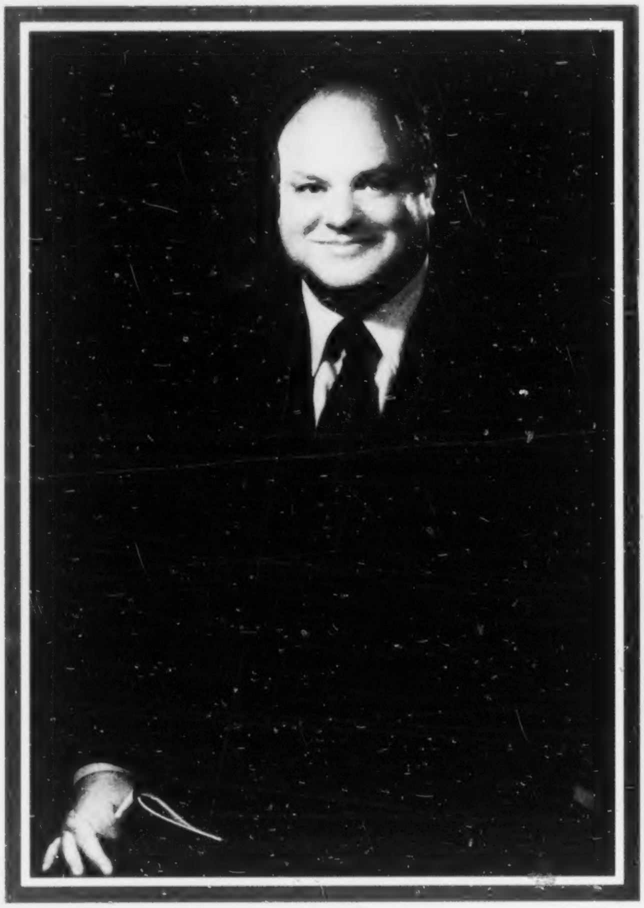
NOVEMBER 1, 1985

Contract Caterers

A Study in Contrasts

page 163

Dominic Agostino, *Aladdin*



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NOVEMBER 1, 1985

VOL. 84, NO. 16

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MARKET
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REPORT
MEXICAN

Mexican food moves into the mainstream

by Jacque White Kochak

Although Mexican food—full service and fast food—continues to be regional in terms of appeal, its popularity is growing and the segment is very healthy.

The Mexican segment is as hot as salsa right now, with acquisitions being announced one after another and several chains jockeying for key positions. Although some companies have suffered setbacks, observers pronounce the segment healthy.

Taco Bell, with some 2,000 units, continues to reign as the largest Mexican chain in the country, but W.R. Grace, through two of its subsidiaries, is positioning itself through acquisitions to become a major contender. And although some Mexican dinner house companies have cut back on expansion because of softened sales, Mexican fast food chains are enthusiastically pursuing growth.

The Mexican segment is really two segments, with distinctly different characteristics. In the Mexican dinner house segment, the food is growing increasingly more sophisticated, and diners are becoming more discriminating because of the proliferation of concepts. The competition is definitely getting tougher.

Meanwhile, Mexican fast food chains are moving more and more into the mainstream, with the market broadening. People of all ages are identifying Mexican fast food less as an ethnic specialty and more as an All-American food, right up there with hot dogs, hamburgers, and pizza. As a result, Mexican fast feeders are increasingly identifying their competition as other fast food operators, such as McDonald's and Wendy's, rather than other Mexican operations.

"Mexican fast food is in a stage comparable to burgers 15 years ago," says one executive. "The segment is characterized by owner/operators and smaller, regional chains. However, we're starting to see owner/operators becoming franchisees of larger chains or selling out. As they begin to compete with the whole fast food segment, they need more market penetration and more marketing clout. I think that as the segment continues to develop we will see the emergence of one, two or three large chains."

Fajitas are the hottest item in the dinner house segment.

The prevalence of Mexican food, both full service and fast food, continues to be quite regional. Yet Mexican food is also continuing to be popular; one source claims that tacos appear on school lunch menus more frequently than hamburgers. That accounts for much of the optimism about future growth;

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Mexican *continued from page 133*

Taco Time's new protoypes have bright and airy solarium dining rooms, as well as drive-thrus.

while the Southwest and West Coast are well-developed, the whole Midwest and Southeast are just beginning to see significant development, and the Northeast is still almost virgin territory. Not surprisingly, the Northeast has been pinpointed by several companies as a focus for growth.

According to the Spring 1984 RECOUNT study compiled by the Restaurant Consulting Group Inc. (the most recent period for which such statistics were available), there are 11,851 Mexican restaurants throughout the U.S. Of those, 3,986 are located in the Pacific states, for 33.6 percent of that total. A total of 2,704 (22.8 percent of Mexican restaurants) are located in the West-/South Central states, and 1,331 (11.2 percent) are located in the Mountain states. A paltry 116 are located in the New England states, for only 1 percent of total Mexican restaurants. The other regions fall somewhere in between these two extremes (see accompanying chart).

Despite the greater number of Mexican restaurants in the Southwest and West, no one mentions saturation. There are more Mexican restaurants, but the frequency of dining out on Mexican food is much higher in those parts of the country than in any other parts.

Franchising of Mexican restaurants is also growing at a rapid pace, third only to franchising of "sandwich and other" and "pizza" establishments, according to the U.S. Department of Commerce. The number of Mexican units operated or franchised increased 52 percent between 1979 and 1984, compared to 100 per-cent for "sandwich and other" and "pizza."

Mexican dinner houses

Chi-Chi's and El Torito are both front-runners for the title of the largest Mexican dinner house chain. El Torito (a W.R. Grace subsidiary) is now taking the lead, mainly through acquisition, as Chi-Chi's slows expansion.

Chi-Chi's had 96 company-owned units and 78 franchised units at the end of 1984. In May, major franchisee Kelly-Johnston, based in Oklahoma, filed for Chapter 11 bankruptcy, taking 16 Chi-Chi's units along. Their fate is uncertain at this point. What is more, Chi-Chi's posted the lowest earnings ever in its history for fiscal 1985, and company officials did not respond to repeated phone calls by *Restaurant Business*.

Chi-Chi's is still a strong and viable contender, however, according to observers. "I feel better than I have at any time in the last couple of years about Chi-Chi's," says Michael Culp, an analyst who follows the company's stock for Prudential Bache. "I'm not roaringly bullish, but their expansion approach now seems more level-headed. The company had an obsession for over 50 percent a year earnings growth, and in a time when inflation is low that meant very rapid expansion."

Chi-Chi's opened too many stores too fast in existing markets where successful stores already operated, Culp says. The company now has slowed expansion, with 30 company stores expected to open by the end of 1985, along with three or four fran-

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chised units.

Culp says that Chi-Chi's now posts annual volumes of about $2.24 million, down about 10 percent from last year. In addition, earnings growth is now in the 15-20 percent range, which is "still nothing to apologize for," he notes.

Chi-Chi's food is generally considered to be blander and less sophisticated than that of many of the other Mexican dinner houses, and some observers say that customers have outgrown the menu. Chi-Chi's newest menu introduction came about a year ago, with a line of fajitas (the chain calls theirs "chajitas") and grilled meat and chicken entrees. That line now accounts for 12 to 13 percent of sales, says Culp.

Some observers also say that Chi-Chi's has suffered because its very large buildings permit the placement of only a few in a given market. "They have gone in with three or four stores, and as a result they can't do much advertising," says one competitor. "In addition, customers have to drive so far that the dinner has to be a special occasion."

Culp says that Chi-Chi's is solving this problem by developing several different prototypes. One is a 7,500-sq.-ft. mini store, in contrast to the 10,000-sq.-ft. standard. Seven such units were opened last year, with two or three this year. The bulk of expansion will be with a new 8,500-sq.-ft. unit, he says.

Rapidly eclipsing Chi-Chi's in size is Irvine, California-based El Torito, a subsidiary of W.R. Grace & Co. While El Torito's 1984 sales of $250 million for 170 units did not reach Chi-Chi's 1984 sales of $273.3 million for 174 units, El Torito is growing rapidly this year.

The company completed the purchase of 24 Casa Marias in June, and is currently in the middle of the acquisition of 26-unit Casa Gallardo from parent company General Mills. Some of the Casa Marias are currently being converted to El Toritos. El Torito executive vice president Fred LeFranc says that it is too early to say what the company will do with the Casa Gallardos.

In addition to the acquired units, the company will open 20 to 25 new units a year, says LeFranc. Focus will be on the Northeast, Chicago, the Southeast (specifically Florida), and on the West Coast.

Besides its El Torito units,the company also operates four Que Pasa Mexican Cafes, which will be expanding in the Midwest. Two are scheduled to open soon in Chicago. Also in the El Torito stable is Las Brisas, a very sophisticated Mexican concept with sales in excess of $5 million yearly. A second Las Brisas is opening soon in Boston. Other El Torito concepts: five Who Song & Larry's; 12 Tequila Willy's; eight La Fiestas; eight Annie's Santa Fes; two Rosa Coronas; and six specialty restaurants ranging from Copa de Oro, a luxury Mexican concept, to Remick's, serving Continental and Ca-

Based on the first unit's success, El Rio Grande's owners plan at least four more related restaurants.

jun specialties.

El Torito's menu is generaly seen as being more sophisticated and varied than Chi-Chi's, and LeFranc views this as the company's strength.

"El Torito started in California over 30 years ago, and on the West Coast we have evolved and fleshed out our menus. People here are much more knowledgeable about Mexican food," says LeFranc. "Now we are seeing the same phenomenon in areas that five years ago were almost completely unfamiliar with Mexican food. It happened faster than we thought it would; once people break the mental barrier about Mexican food, they seem willing to try anything. I think Mexican food will become much like Italian food—an accepted part of American culture."

A new El Torito has just opened in the Empire State Building in New York City, considered a very tough market for national chains to break. The El Torito franchise (all others are company units) was opened by New York City's Riese Organization, which last year completed an unusual agreement with W.R. Grace & Co.to open a number of its concepts in the New York City area.

Riese holds the rights to develop El Torito within the city's five boroughs, and its agreement calls for 25 units over seven years. El Torito is opening units outside New York City in suburban Westchester County, New Jersey, and Long Island.

While Chi-Chi's and El Torito fight for market dominance, several smaller chains continue to stake out their territory. Chief among them are Texas-based El Chico and Monterey House. Other chains include California-based Acapulco Mexican Restaurants, Casa Bonita, and Garcia's of Scottsdale, as well as smaller chains like Ninfa's in Houston and Papagayo in Chapel Hill, North Carolina. Strong independents flourish everywhere, and some of these are regarded as "the leading edge" by the chains that are popularizing Mexican food.

El Chico rates as the third largest Mexican dinner house chain in the country, though 80 percent of the company's stores are located in Texas, Arkansas, Louisiana, and Oklahoma. The company's systemwide sales for fiscal year 1985 reached $89 million, up from $77 million the previous year, and average unit volume is slightly over $1.3 million.

In addition to 73 company El Chicos and 19 franchises, the company also operates six concept restaurants, two of them Mexican and four

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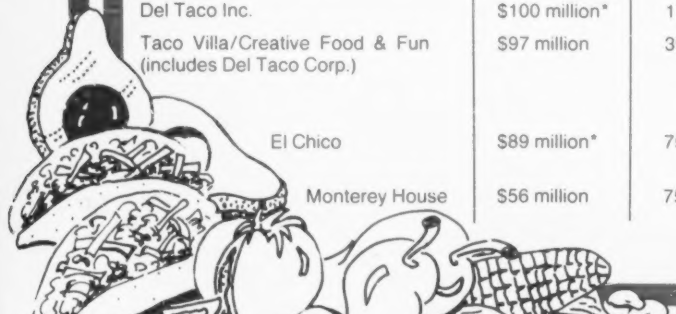
THE TOP TEN MEXICAN CHAINS

Name	1984 sales	No. units	Outlook
Taco Bell	$873 million	1,830	Expects 4,000 units by 1990. Is being positioned to compete against the fast food giants such as McDonald's and Burger King.
Chi-Chi's	$273.3 million	174	Despite softened sales and slower expansion, still viewed as being quite healthy and possessed of the marketing savvy to continue to compete.
El Torito	$250 million	170	Gobbling up competitors; just acquired Casa Maria and Casa Gallardo.
Naugles	$126 million*	220	Expansion halted, just suffered greatest stock value drop in history.
Taco John	$100 million*	402	Planning to open 60 more units in 1986, filling out its market areas from California to Indiana.
Taco Time International	$100 million*	232	Aggressively expanding; seeking franchisees in all 50 states.
Del Taco Inc.	$100 million*	175	Will open 10 to 12 units a year in California.
Taco Villa/Creative Food & Fun (includes Del Taco Corp.)	$97 million	390	Clearly aiming at the top, this W.R. Grace subsidiary originally consisted of Del Taco Mexican Cafes and T.J. Applebee's but recently acquired Taco Villa and Taco Viva.
El Chico	$89 million*	75	A strong regional chain now concentrating on franchising.
Monterey House	$56 million	75	Just started a franchising push and hopes to open units from Florida to California.

*Fiscal 1985 sales



aimed at young adults in general. The two Mexican concepts are Cantina Laredo, a country-style Mexican restaurant serving mesquite-broiled fish, chicken, and shrimp in the atmosphere of a "classy border cafe," and Casa Rosa, a more innovative, more upscale concept.

Expanding El Chico continues to be the company's main priority, however, and franchising has picked up dramatically. Ultimately,says vice president of marketing Richard Huston, franchised stores will account for a third of total units.

El Chico specializes in popular Tex/Mex items such as tacos and burritos. The low check average ($6) encourages high frequency, and the typical customer visits two or three times a month. The company is currently upgrading older units to "move the image into the '80s" says Huston. "We're finding that we have to evolve a more sophisticated menu, plate presentation, and decor to keep up with customers."

Like El Chico, Houston-based Monterey House is also a venerable company, boasting some 30 years in business. With about 75 units in Texas, Oklahoma, and Missouri, the company recently initiated a major franchising program and expects that eventually up to 30 percent of its units will be franchised. Expansion is slated for markets from Florida to Northern California.

Monterey House serves moderately priced Tex/Mex specialties such as tacos, enchiladas, refried beans, and chili. The restaurants offer full service, but are closer to fast food than El Chico. Average unit volumes for older units range between $725,000 and $750,000; higher volumes are expected from a new 125-seat prototype.

Joining in the game of shuffling ownership is Acapulco Mexican Restaurants, now being acquired by New York City's Restaurant Associates. RA operates 29 Charley Brown's as well as a number of specialty concepts and newsstands in hotels and airports.

Says Karen Mathison, Acapulco's Vice president of marketing: "RA was looking to establish on the West Coast, and the acquisition will provide us with their expertise."

Acapulco now operates 33 restaurants, with the bulk in Southern California. The company will continue to open five to six units a year, all on the West Coast. Total 1985 sales reached $49 million, with a wide

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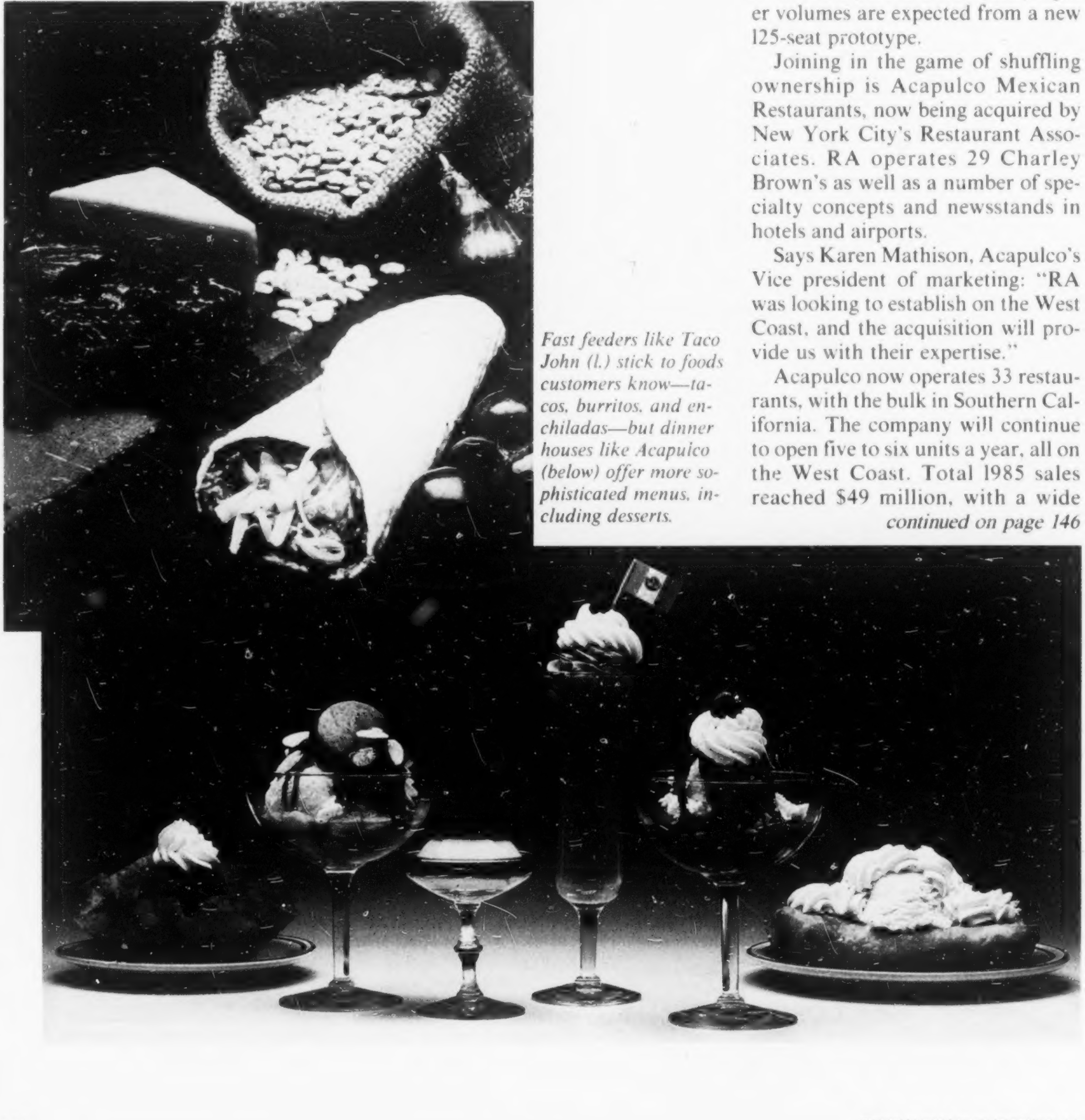
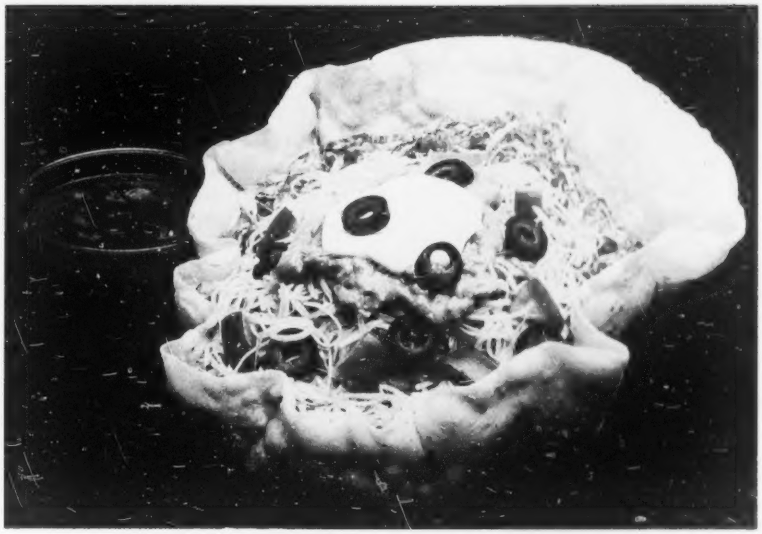


Fast feeders like Taco John (l.) stick to foods customers know—tacos, burritos, and enchiladas—but dinner houses like Acapulco (below) offer more sophisticated menus, including desserts.

Mexican *continued from page 144*



Del Taco Inc. recently introduced a deluxe taco salad, priced at $3.19.

range of average unit volumes.

The company is undergoing a very extensive remodeling program, says Mathison. The object is to clean up the "oldness" of units opened in the '60s. The look is newer, cleaner, and more colorful.

Mathison says that Acapulco's sales have been soft for the last couple of years, but are "really looking up."

A small New York City chain that is gaining attention locally is El Rio Grande. The first unit opened in 1983, and caught the public's fancy with a varied menu of Mexican specialties, ranging from the ubiquitous tacos, enchiladas, and tostadas to more sophisticated specialties such as Mole Poblano (half a char-broiled chicken topped with a dark chocolate sauce) for $10.95.

El Rio Grande entertains customers with a touch of whimsy. When customers come in, they are asked by "border guards" whether they would like to sit in Texas or Mexico. Then they are led through the kitchen, across the Rio Grande River, and seated in the dining room of their choice.

Flushed with success (among other things, the restaurant sells 100 gallons of margaritas a day) El Rio Grande's owners have embarked on ambitious expansion. They plan to open several more units, including "El Rio Grande Mexico City," which will range over three levels and specialize in Mexican "tortas," or sandwiches, served on dinner rolls with refried beans and such ingredients as shredded beef and chorizo; El Rio Grande Allambre, serving grilled specialties; a saloon-type El Rio Grande, specializing in finger foods such as chimichangas and tacos; and a restaurant serving food influenced by both the Mexican and French traditions.

The hottest food trend in the Mexican dinner house segment now is fajitas, or grilled and marinated skirt steak. Apparently, the rage originated in Texas, where fajitas are so common that many non-Mexican restaurants serve the specialty. California-based El Torito introduced fajitas about 14 months ago. A year ago the company introduced chicken fajitas, and three months ago added shrimp fajitas; the various fajita dishes have proven to be very popular. Acapulco Mexican Restaurants is introducing fajitas in December, along with three other new specialties; El Chico recently introduced "sizzling fajitas," served on a hot skillet; and Chi-Chi's has its "chajitas."

Mexican fast food

Because of the trend toward mainstreaming, the most important trends affecting Mexican fast food are the same that are affecting fast food in general. Mexican fast food chains are upgrading facilities and expanding menus.

Taco Bell is aggressively pursuing a franchising push into new territories, and expects to double the number of units to around 4,000. The company is particularly attracted by markets in New York and the Northeast, where there are few units in operation.

The company's new "Pizzazz pizza," a combination of cheese, pizza sauce, ground beef, beans and vegetables on a taco shell, is prepared to order in one minute and feeds one or two. The pizza is priced at around $2, and has been enthusiastically received by the public. Company officials see the pizza as a tool in breaking into Northeast markets, where Mexican fast food is less familiar.

Taco Bell is definitely healthy; real growth exceeded 20 percent last year. The company is now in the process of converting units to a new, upgraded image with more comfortable and flexible seating, an enhanced interior, new uniforms and a condiment bar. The upgrade seeks to modernize without robbing Taco Bell of its ethnic flavor; colors are bright and bold, and Mexican art and artifacts are very apparent. New prototypes use more windows and glass for an airier, brighter look.

The second largest Mexican fast food chain in the country is Wyoming-based Taco John, with 402 units and plans to open up to 60 more units in 1986. Taco John units are strung north of the Mason-Dixon from California to Indiana; new units will fill in existing markets.

Taco John's 1985 fiscal year-end sales reached $100 million, with systemwide average unit volumes at $250,000 a year. A new prototype is showing averages of $350,000 a year, says Art Backer, director of marketing.

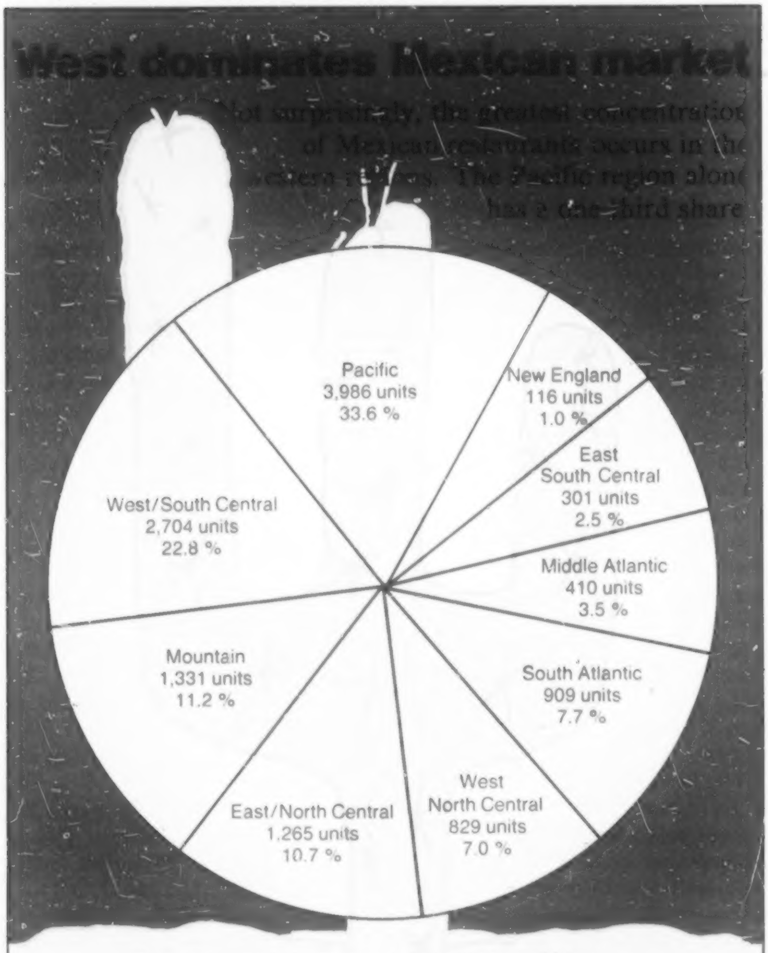
Like other fast food chains, Taco John is seeking more dinner business with the introduction of three dinner combos, all served with a "potato ole" (a deep-fried and seasoned potato round). The taco dinner consists of a hard-shelled taco and a taco bravo; the enchilada dinner features two enchiladas with a new chile verde sauce; and the burrito combo features both a super burrito and a hard-shell burrito. All sell for around $2.60. The company also recently introduced a "Super Salad" in a 10-inch edible taco shell.

California-based Naugles, with 220 units, is a strong competitor on the West Coast. Units are also located in Missouri, Nevada, Illinois, Utah, Wisconsin, Florida, and Kansas. Only eight units are franchised.

Despite the strength of the Mexican fast food segment, Naugles recently suffered its biggest drop in stock value in the history of the company. As a result, expansion is on hold and Harold Butler has resigned as ceo and chairman of the board. Wayne Withers, formerly chief financial officer, will take his place.

Kelly Acosta, market department coordinator, says that the stock loss is being blamed on failure to promote the company, not on any softness in the segment. The problems are internal, she says, although average unit volumes (about $650,000 a year) have not dropped. The company has seen a drop in customer counts, she says, but nothing dramatic.

Naugles has introduced four dinner platters, weighing at least one pound each, that offer either a choice of chicken or beef along with side dishes such as salads, beans, and nachos. The platters are priced at $4.79; Naugles is considering cutting down portion sizes and lowering prices, Acosta says.



West dominates Mexican market

Not surprisingly, the greatest concentration of Mexican restaurants occurs in the western regions. The Pacific region alone has a one-third share

Note: Percentages represent distribution of Mexican restaurants by Census regions. There are 11,851 Mexican restaurants in the U.S.; 3.9 percent of total U.S. restaurants. Source: Restaurant Consulting Group. RECOUNT. Spring 1984.

Oregon-based Taco Time International boasts 232 units in 14 states as far east as Iowa; only 18 are company-owned. The company expects to open five new company units and 20 new franchised units in the next year, according to Tamra Heathershaw, director of public relations. Growth is a priority for the company, with an emphasis on expanding company-owned locations and seeking franchisees in every state.

Like the others, Taco Time is adding to the menu and upgrading units. The company will soon introduce a chimichanga, which is a deep-fried combination burrito with sour cream, cheese, lettuce, and taco chips, priced at about $2.25. Last year, Taco Time introduced a new tostada and a "Casita Burrita," a soft flour tortilla with meat, beans, enchilada sauce, and sour cream, rolled and covered with enchilada sauce and cheese, lettuce, and tomato slices for about $1.95. A spicy chicken nuggets product will be introduced in the spring.

A new prototype unit features lots of oak trim, oak tables, brass planters, brass hanging lamps, and Southwestern American art, as well as drive-thrus and solarium dining.

Del Taco Inc. in California, which gave birth to Del Taco Corp., boasts 175 units, all in California, and fiscal year 1985 sales approaching $100 million. The company will be opening 10 to 12 units a year in California.

Del Taco Inc. also is adding to the menu, but spokesman William Coulter views some of the expanding menus and upgrading with alarm. "Too many are trying to upscale," he says. "I think somebody's going to have to stay here and be in the fast food industry. Prices are getting out of hand, and menus are getting ridiculous."

The company did come out with a

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The trends that are affecting Mexican fast food are the same ones that are affecting fast food in general: menu expansion and decor upgrades.

large deluxe taco salad recently. The salad is served in a flour tortilla with lettuce, beans, meat, cheese, olives, tomatoes, sour cream, and guacamole, and sells for $3.19.

The company also introduced breakfast a year ago. In addition to hamburgers, tacos, burritos, pancakes, and eggs, the company offers Eggs Benedicto (an English muffin with scrambled eggs and a sausage patty topped with nacho cheese sauce) and an Egg-A-Rito sandwich.

Coulter says that, surprisingly, the standard hamburgers, tacos, and burritos sell three times better than the breakfast items during breakfast hours. "Particularly if we're on a marine base or near a freeway, we get a lot of people who eat dinner at 7 a.m.," he says.

An aggressive competitor was recently renamed Taco Villa/Creative Food & Fun, formerly Creative Food & Fun. The original company had two subsidiaries, Del Taco Corp. and T.J. Applebee's. Like El Torito, Taco Villa/Creative Food & Fun is a subsidiary of W.R. Grace, and like El Torito the company is busy gobbling up competitors.

The 170-unit Del Taco Corp. was originally an outgrowth of California-based Del Taco Inc., having bought rights to develop the entire country outside of California from the latter corporation. This year Creative Food & Fun acquired 146-unit Taco Villa, and now is in the process of acquiring 74 Taco Viva units in the Southeast. Because the company is in a quiet period surrounding the acquisition of Taco Viva, Dick Rivera, president of subsidiary Del Taco Corp., was reluctant to give details of plans for the two chains, but it is probably safe to guess that both Taco Villa and Taco Viva will be reshaped to fit the "adult fast food" niche that Del Taco Corp. was pursuing with its upgraded Del Taco Mexican Cafes.

The Del Taco Mexican Cafes fit comfortably into the gap between traditional fast food and the mid-priced Mexican dinner house. Though featuring quick service, the units serve beer, wine, and margaritas, as well as complete dinner entrees in a casual atmosphere highlighted by a patio, interior wall prints, cacti, ceiling fans, tablecloths, and music. They target an audience aged 21 to 49.

The combination of Del Taco Corp., Taco Villa, and Taco Viva creates a formidable chain with some 390 units and sales of some $97 million. In 1984, Del Taco Corp. posted sales of $56 million, while Taco Villa had sales of $28 million and Taco Viva had sales of $23 million. Del Taco Corp. will open 10-12 new units a year.

The first Mexican fast food chain to introduce fajitas was Wichita, Kansas-based Taco Tico. The steak fajita platter consists of marinated strip steaks with onions, tortillas, cheese, lettuce, tomatoes, guacamole, sour cream, chips and sauce; the company advertises the specialty with the slogan "Steak at Taco Tico. Eata Fajita," says marketing director Ken Lerman.

The new platter is part of a line of new menu introductions calculated to move Taco Tico into the category of "premium fast food," says Lerman. Other new menu items are a reformulated chili called "Chilicious;" a large size taco; "Appleata," a dessert of cinnamon crusts with hot apple pie filling and whipped cream; a new cheese dip; and a reformulated chili burrito.

El Chico's Cantina Laredo sports a "country-style" Mexican motif and menu.

Along with the new menu comes completely remodeled stores with a new Aztec motif. The new units feature lots of terra cotta tile, oak, plants, and indirect lighting.

Close to 60 percent of the units have been remodeled so far, with a 20 percent increase in sales attributed to the remodeling and another 20 percent attributed to the addition of drive-thrus.

Taco Tico has units primarily in Kansas, Arkansas, Missouri, Oklahoma, and Texas. Five new units opened in the last 12 months, and the company is planning more expansion.

Like everyone else, Lerman is extremely optimistic about Mexican fast food. "I think we're hamburgered out, chickened out, and pizzaed out," he says. "The trends are very positive for Mexican food." □

Restaurant Business

A BILL PUBLICATION FAST FOOD*

DECEMBER 10, 1985

Jeff Campbell
Hal Smith
Karl Kilburg
Dennis Riese
Ferdinand Metz
Fred DeLuca
Subway Sandwich
Clark Jones
Wayne Mosley
Rocky Rococo
Toni Aigner

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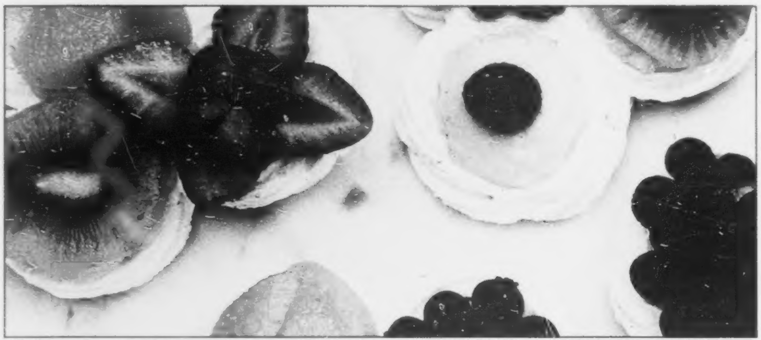

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MARKET
SEGMENT
REPORT

ORIENTAL

Operators explore Oriental as new frontier

by Ralph Raffio

Fast food operators view Oriental cuisine as 'the new frontier' in an already overcrowded marketplace, with appeal to health conscious trends.

Now more than ever, Oriental cuisine is being closely scrutinized. Industry experts and restaurant operators are studying how Oriental food fits into, and affects, the overall U.S. foodservice market.

For decades an entity unto itself—dominated by family-run restaurants with little understanding or regard for trends developing around them—Oriental cuisine is now being applied to the '80s by a more diverse group of operators whose ideas are far more fragmented than their predecessors'. Fast food operators see opportunity in Oriental concepts as a means to expand in an already crowded quick-service market; independents are finding that Oriental appeals to sophisticated customers.

Consumers prefer Chinese

To be sure, U.S. adults make no secret of their preference for Oriental cuisine.

In a National Restaurant Association (NRA) study, *Consumer Preferences for Ethnic Foods in Restaurants,* nine out of 10 adults said they had eaten Chinese food in a restaurant at least once; a hefty majority of 83 percent said they had done so more than once. According to the NRA survey, Chinese cuisine ranks second behind Italian as the most popular ethnic food.

Japanese cuisine, also part of the Oriental market, is showing signs of expanding its popularity. The highly successful Japanese steak house concepts continue to be popular, while an increasing number of urban dwellers familiarize themselves with sushi. Sushi bars now proliferate in major cities like New York, Los Angeles, and Chicago, and sushi can be found in many non-Oriental restau-

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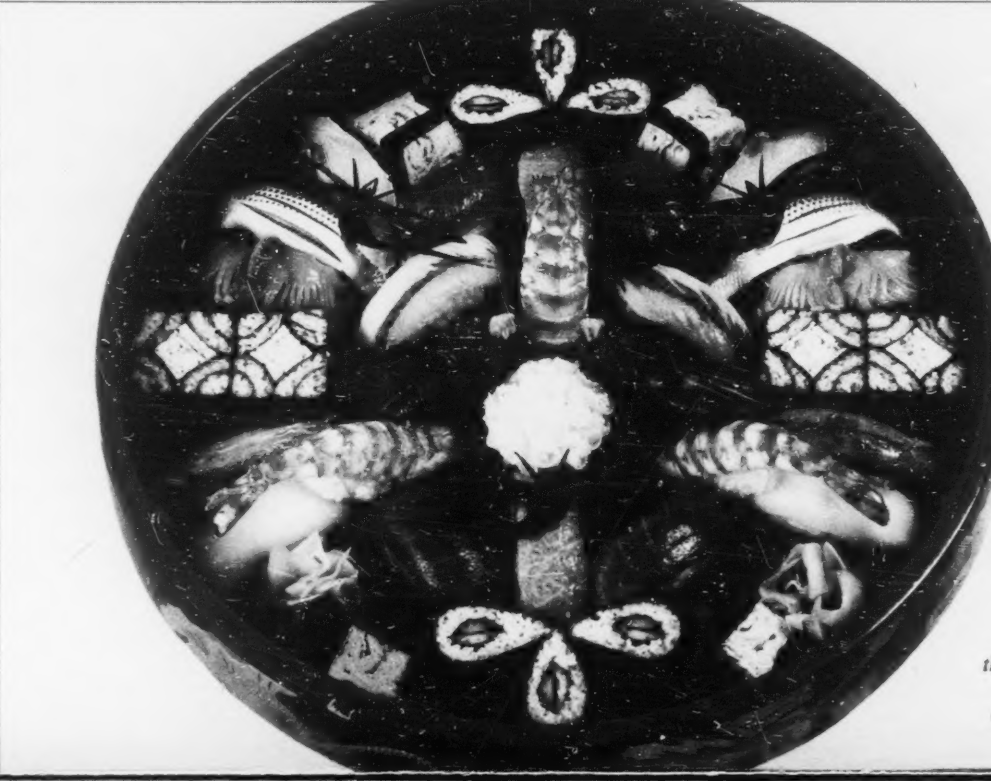
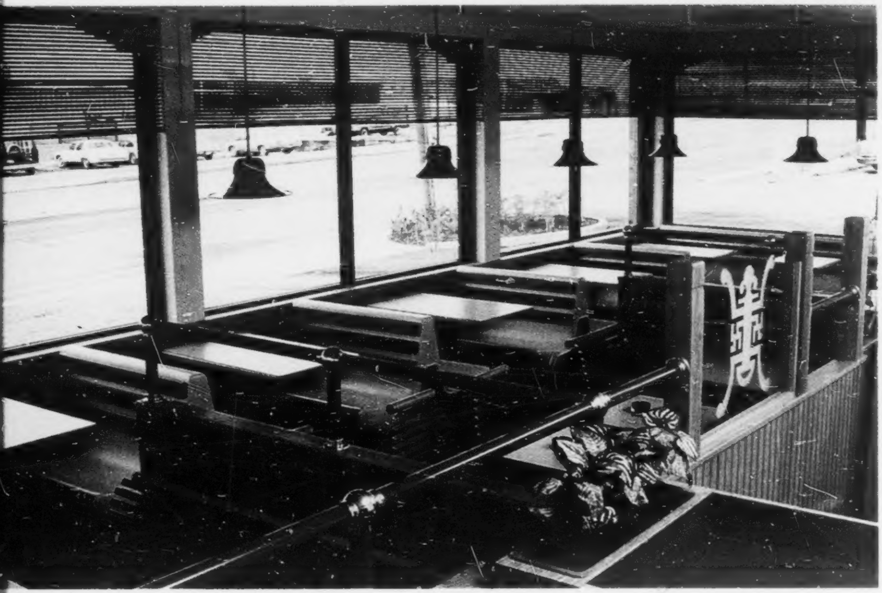


Sushi, such as this platter from Benisushi, is a popular item.



The interior (above) and menu board (below) of a Quik Wok is typical of fast food design. With 1984 sales of $4 million, the San Antonio-based chain is hoping to expand its lunch business.

rants as an appetizer. All in all, Japanese food ranks seventh out of 15 as the most popular ethnic food, according to the NRA study.

According to Restaurant Consulting Groups Inc.'s recent RECOUNT survey, there were a total of 12,487 Oriental restaurants in the U.S. in 1984, a 4.1 percent share of the total U.S. market. With its 9.9 percent increase in restaurants last year, Oriental was the only ethnic menu segment to gain in percentage of the total market. Closest competitors, the Mexican and Italian menu segments, though gaining in units, did not further penetrate the total market, maintaining a 3.9 and 1.4 percent market share, respectively.

Further emphasizing growth in the Oriental segment, GDR/CREST Enterprises reports that sales among Chinese restaurants between 1977 and 1984 increased by 109 percent. According to CREST's *Family Report,* sales for all restaurants during that period rose a lesser 80 percent. Customer traffic among Chinese restaurants increased by 55 percent.

The new frontier

It is widely held that in the overcrowded fast food industry Oriental cuisine represents "the new frontier." More specifically, Chinese food is believed to have the greatest chance for success in the market.

Chinese cuisine is already accepted among Americans, and, say industry members, it plays to trends towards healthy, fresh foods. Most menu items are freshly prepared, highlighting fresh vegetables; fried foods are kept to a minimum. In a fast food world where lower calorie hamburger buns serve as marketing tools for "healthy fast food" chains, Oriental seems to hit the mark.

Industry eyes Quik Wok

In June, Burger King raised several eyebrows by announcing it was entering the Oriental market. For an undisclosed amount, the Pillsbury subsidiary acquired San Antonio-based Quik Wok, a nine-unit chain of fast food outlets with 1984 sales of $4 million. Burger King's move, according to observers, further legitimized Oriental as a serious growth segment with potential for major chain expansion—an important factor since the success rate among those who have tried Oriental chain expansion has been less favorable.

Feeling confident that it can succeed where others have not, Burger King is now gearing up to expand Quik Wok into what may become the industry's first national Oriental chain. The Miami-based burger chain has capital to expand quickly as well as a large group of Burger King franchisees.

A Quik Wok spokesman says it is realistic to boost unit volumes from $550,000 currently to $1 million in less than two years, pointing out that the newest unit, in San Antonio, is

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Chinese food ranks second behind Italian food as the most popular ethnic food ordered in restaurants, according to an NRA study on consumer preferences.

already doing that.

With an average check of $4, Quik Wok's menu includes eight main course items, as well as soups and other traditional Chinese appetizers. Like many Chinese restaurants, Quik Wok does 60 percent of its business through take-out.

Also important to Quik Wok—as it may well become for many Oriental concepts to follow—is home delivery. The company is testing home delivery in San Antonio, but expects to move farther along with the concept by building special units to offer strictly take-out and home delivery.

Nankin Express slows down

A franchising agreement with International Multifoods led many to believe that Nankin Express would be the first national Chinese fast food chain. However, having run into problems, Nankin has been forced to pull back from the expansion plans. International Multifoods, once planning to develop the Chicago area, has closed three of its four units, and, says a spokesman, additional units aren't likely.

Xian to go public

Instead, a three-unit Chicago-based chain may be Quik Wok's companion for national expansion. Founded by cardiologist Antonio Chan, Xian filed in November with the Securities Exchange Commission (SEC) for a public stock offering and will begin franchising in January. Marketing itself as "the healthful alternative to fast food," Xian stresses nutrition right on its menu, which includes statements like, "Menu items are nutritionally balanced to meet today's high standards," and "We fry in only cholesterol-free corn oil."

Chan says he would like Xian to be a national chain in five years. He believes that past problems with creating successful chains have been the result of cultural division. "Mom and pop Chinese operators have dominated the market for 100 years," says Chan, who has been in the U.S. 18 years. "Customers perceive their restaurants as having quality food at reasonable prices. However, there is no professionalism. On the other spectrum, the Caucasian entrepeneur who likes Chinese food and starts a restaurant chain may have no real understanding or knowledge of Chinese foods. In that case, he is really not equipped to do the job." Chan stresses that a deep knowledge of Chinese food is key to building a successful chain, and cautions those who don't possess it about entering the market.

Xian, like Quik Wok, is also developing two different units—one for eat-in and take-out, and another for home delivery, which Chan also thinks will be a large market.

Though food cost is widely considered to be Chinese food's Achilles Heel, Chan disagrees. "High food costs are a myth," says the Xian founder. "Our food costs right now are lower than those of fast food burger units, and certainly much lower

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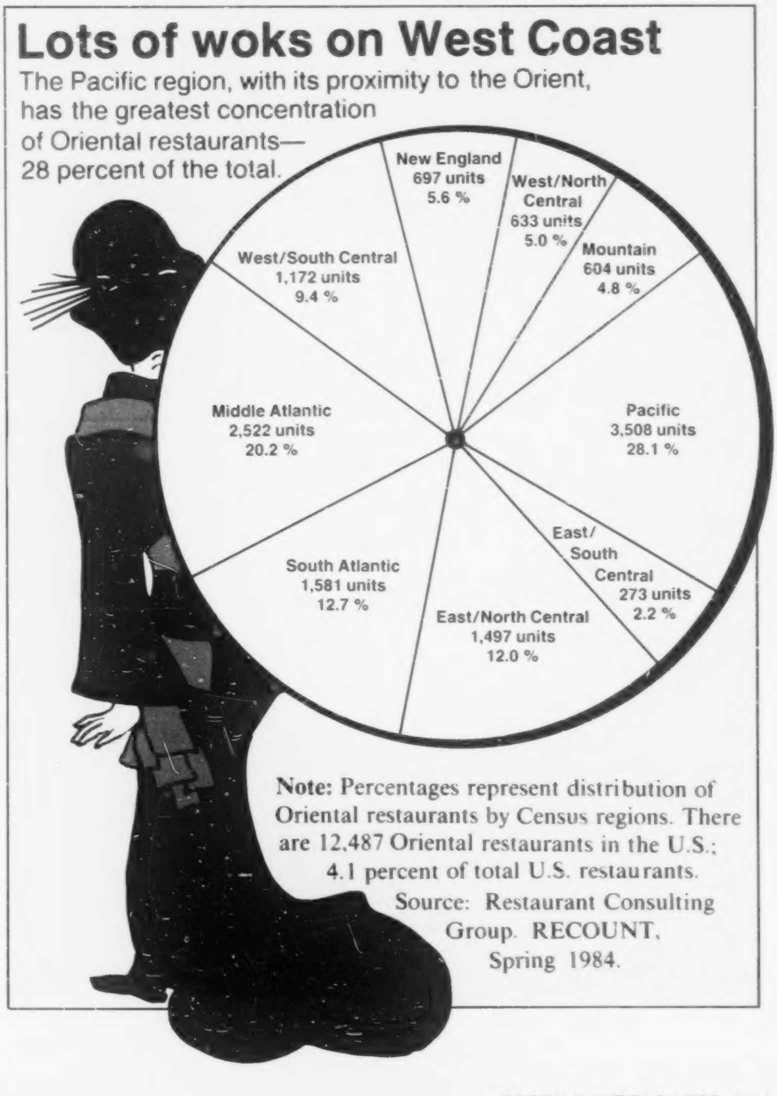
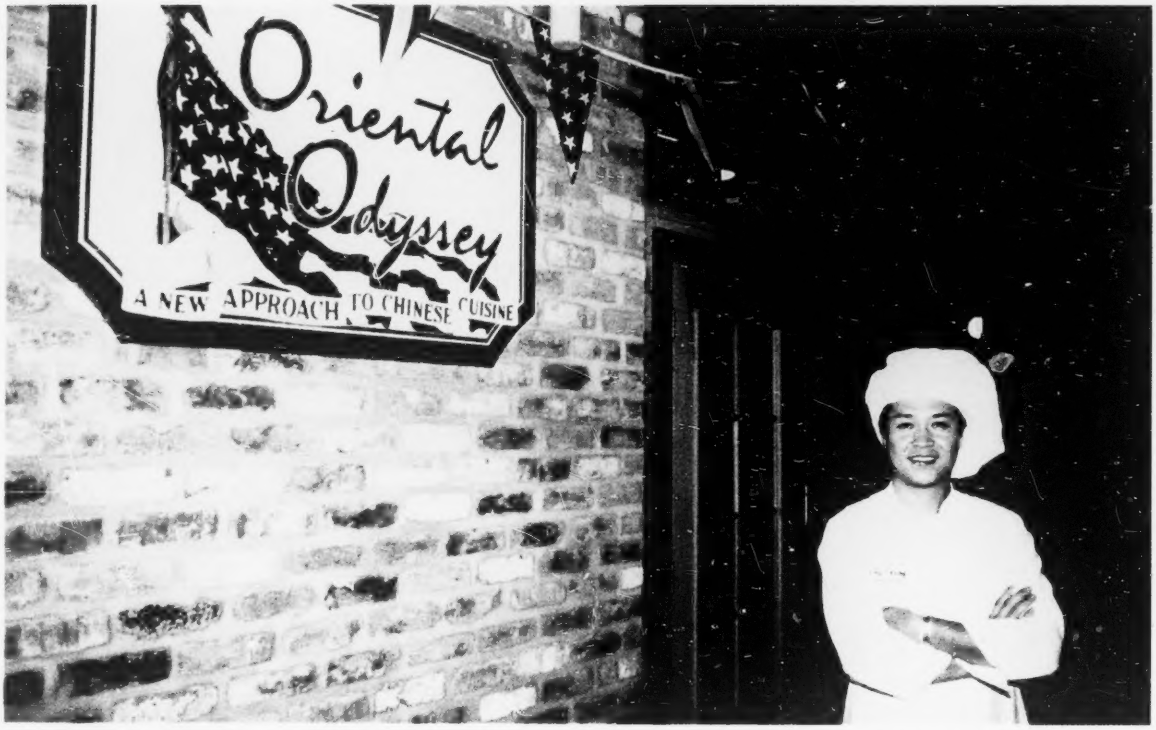


Lots of woks on West Coast

The Pacific region, with its proximity to the Orient, has the greatest concentration of Oriental restaurants—28 percent of the total.

Note: Percentages represent distribution of Oriental restaurants by Census regions. There are 12,487 Oriental restaurants in the U.S.; 4.1 percent of total U.S. restaurants.

Source: Restaurant Consulting Group. RECOUNT, Spring 1984.


Oriental Odyssey
A NEW APPROACH TO CHINESE CUISINE

Louisiana-based Oriental Odyssey combines Japanese, Chinese and American decor with egg rolls and po' boys.

than those of healthy concepts like D'Lites. We have spent a lot of time on research and development."

Oriental Odyssey

Lesser known attempts at fast food Chinese are Louisiana-based Oriental Odyssey and Missouri-based Master Wong's.

Oriental Odyssey founder Joseph Chang says his new concept in Baton Rouge is an anomaly in the Chinese segment. Serving everything from egg rolls to po' boys, Oriental Odyssey's decor package is a combination of Chinese, Japanese, and American joined together in a high fashion design. The unit serves liquor and average check ranges $4.25 to $5.95.

Chang says most of his business is done at lunch. "We're different than most Oriental restaurants in that through a diverse menu we appeal to many different people. The problem there is that we fall into the fast food category where it is difficult to attract people for dinner," says Chang. He is adding delivery to boost dinner business.

Master Wong's

Master Wong's, a six-unit chain based in Springfield, Missouri, added free home delivery service this year. "It's a competitive market, and we wanted to have an edge," says Clifford Beauchamp, president. Called the "Oriental Express," the home delivery service has bolstered sales but not profitability, says Beauchamp. "Right now, we look at home delivery as a method of gaining interest in Master Wong's, and for attracting new customers. As we expand into smaller towns we won't have to offer the service, but for urban areas we feel it is necessary." In line with most of its contemporaries, Master Wong's generated 65 percent of its sales through take-out. The regional chain has also developed a franchise package.

Upscale Oriental

On the upscale side of Oriental, New York City's Wok and Roll is an interesting example of what typical Oriental restaurants are not. "Nobody ever hangs out at a Chinese restaurant, but they do here," says owner Stan Tankursley. "We've got a lot of music and atmosphere, a bar, and the waitstaff are young and typical New Yorkers just like our customers. It's not anything like what a Chinese restaurant is supposed to be. It's a fun restaurant that happens to serve very good Chinese food."

Wok and Roll may well be the prototype for other such restaurants to come. It breaks the barrier between the traditionally accepted dining experience associated with Chinese food, and American restaurant trends. With a non-Oriental waitstaff, and chefs trained in Greenwich Village, Wok and Roll is anything but a typical Chinese restaurant. Its menu, too, is different, offering the likes of steamed catfish skillet, crispy fish in wine sauce, as well as dishes like lo mein and vegetables in garlic sauce. Average check, including liquor, is $11.

The other Oriental cuisine

Japanese cuisine is far better suited to upscale concepts, though there have been some attempts to intro-

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duce it to fast food. For the most part those attempts have failed, witnessed by Tokyo Bowl's entering Chapter XI proceedings.

Dosanko, the premier Japanese fast food chain on the East Coast, has itself had some difficulties lately. The chain closed three stores last year, bringing its total to 12, and expansion plans have been halted while its menu and decor packages are worked on.

"The concept is 10 years old," says vice president Mac Hikada. "People are requesting different things." Hikada says Dosanko will add red meat to its menu in an effort to bolster dinner business, which now accounts for only 30 percent of sales. "Our studies have shown that consumers view our food as too light for dinner," adds Hikada. Dosanko's menu is heavily skewed toward Japanese noodles and dumplings.

Hikada also says Dosanko's decor will be "modified," claiming the chain's bright orange interior is fine for lunch but much too bright for dinner business. Modifications to the outside are being considered as well, says Hikada. "We should be able to begin expansion by the beginning of the year." says Hikada. All 12 Dosanko units are located in New York City; there are 1,200 Dosanko units in Japan.

Japanese steak houses

Benihana of Tokyo, operator of perhaps the most successful Japanese steak house chain, tried its hand at fast food but was not successful. The company recently announced it would discontinue its Teriyaki USA concept in favor of a seafood concept called Big Splash. Teriyaki USA, located in Florida, has replaced the company's first attempt at Japanese fast food, Noodle Time, which also failed. "I don't think the Florida market was ready for Japanese fast food," says Benihana president Joel Schwartz. "It's not my opinion that fast food Japanese isn't a viable concept. I just think our site location wasn't right." However, the company has no plans to bring its fast food concept to another market for test, says Schwartz.

Benihana's steak house concept has remained the same for 21 years.

In the meantime, Benihana continues operating a successful Japanese steak house chain, and is expanding its line of frozen foods. The company plans to open a new Benihana restaurant in Beaverton, Oregon, in 1986, and continues looking for additional site locations.

"Other than adding to the menu, the concept has remained the same for over 21 years," says Schwartz.

Five-restaurant Gasho of Japan plans to open a restaurant in Manhattan next year, says president Shiro Aoki. Currently, Gasho has two units in Denver and three in Long Island. Aoki says Gasho has changed with the times.

"Our menu has evolved to where we now offer eight to 10 appetizers in greater variety," says Aoki. "We're also offering far more fish than ever before to meet a growing trend and demand for healthy foods." Aoki also says Gasho has bolstered its dessert offerings. "It's not typical for a Japanese restaurant to have a variety of desserts, but we're trying to gain interest by being different."

Gasho's cocktail lounge has also been reworked so as to attract more doller volume. Cocktail lounges have been redesigned in a more contemporary fashion and where possible the lounge area has been extended. Happy hours are also offered.

Boston-based Benihana franchisee, Barclay Henderson, has had his own ideas of how to quench America's appetite for Japanese food. In three of his steak houses, Henderson, president of Asian Restaurants International, added what he calls Benisushi units. Separate from the steak house—and from franchisor Benihana of Tokyo—Benisushi is, of course, a sushi bar. Henderson plans to open Benisushi units wherever possible, largely dependent on available space for expansion onto the steak house. The first Benisushi unit opened two years ago, and, says Henderson, sales projections were grossly underestimated. A $100,000 annual intake was projected. But, says Henderson, first year sales were $500,000.

"There are heavy labor costs with sushi," explains Henderson. "But being connected to the steak house helps to offset the costs." ☐

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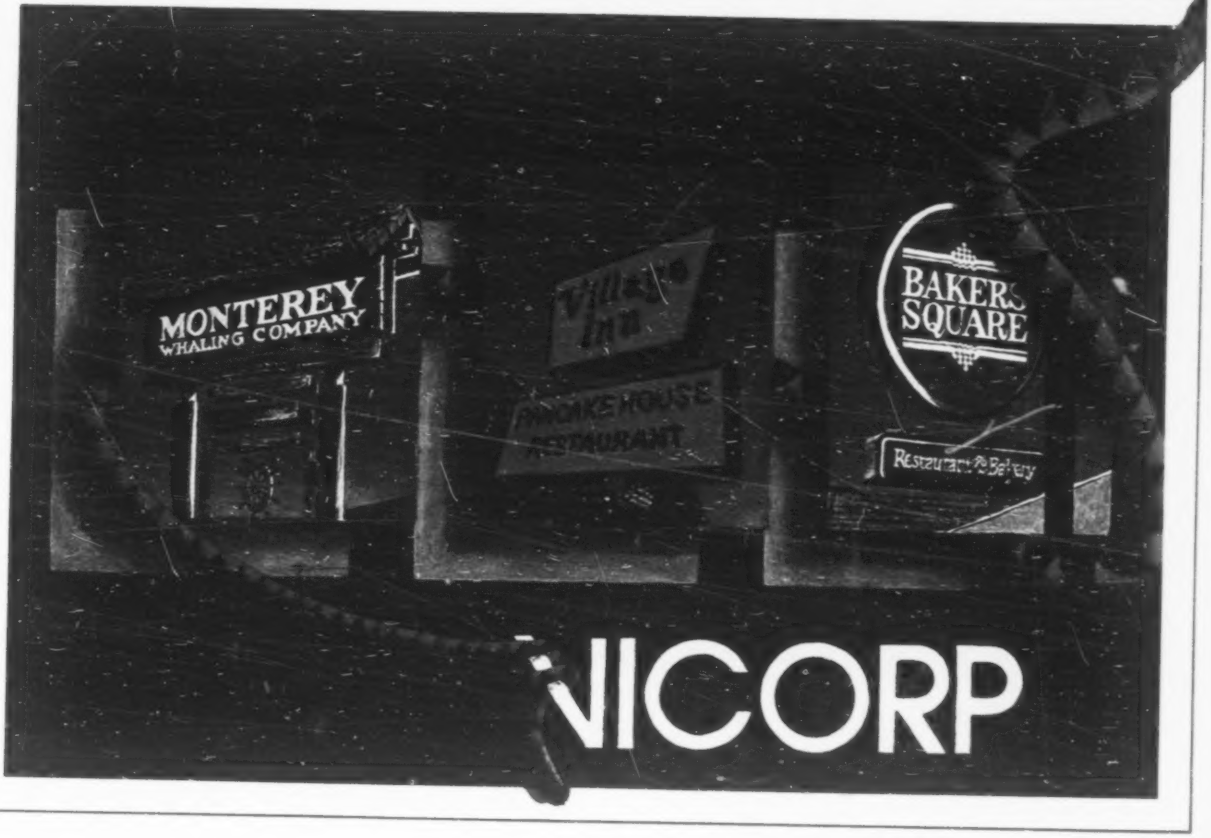
MONTEREY
WHALING COMPANY
Village Inn
PANCAKE HOUSE
RESTAURANT
BAKERS
SQUARE
Restaurant & Bakery
VICORP

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Business

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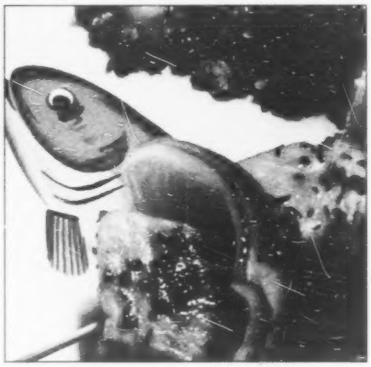

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Cover Illustration
by Tom Thorspecken

Market Segment Report

Chicken chains compete for changing consumer

by Ralph Raffio

The chicken market segment has diversified; it has broadened in product, in decor packages stressed, and in participants selling its primary commodity.

From traditional fried to charcoal-broiled, boneless breast to nuggets, America's taste for chicken has never been greater.

Neither, in fact, has competition in the menu segment. Just as the restaurant industry has fragmented over the years, creating and filling niches in every corner, so has the chicken market diversified. It has broadened in product, in decor packages stressed, and in participants selling its primary commodity. Industry onlookers say the chicken segment—long the domain of giants like Kentucky Fried Chicken and Church's—has arrived on the fast food battleground with more competing factions wrestling for market position than ever.

There are probably more restaurants serving chicken right now than at any other time. According to Restaurant Consulting Group's RE-COUNT survey, chicken restaurants in the U.S. totalled 11,624 in1985. Chicken outlets account for 3.5 percent of the total restaurant market.

But there's more to this market segment's story than just those numbers. Practically every major fast food chain also offers a chicken item today, not to mention all the mid-priced dinner houses and family restaurants which have further stressed

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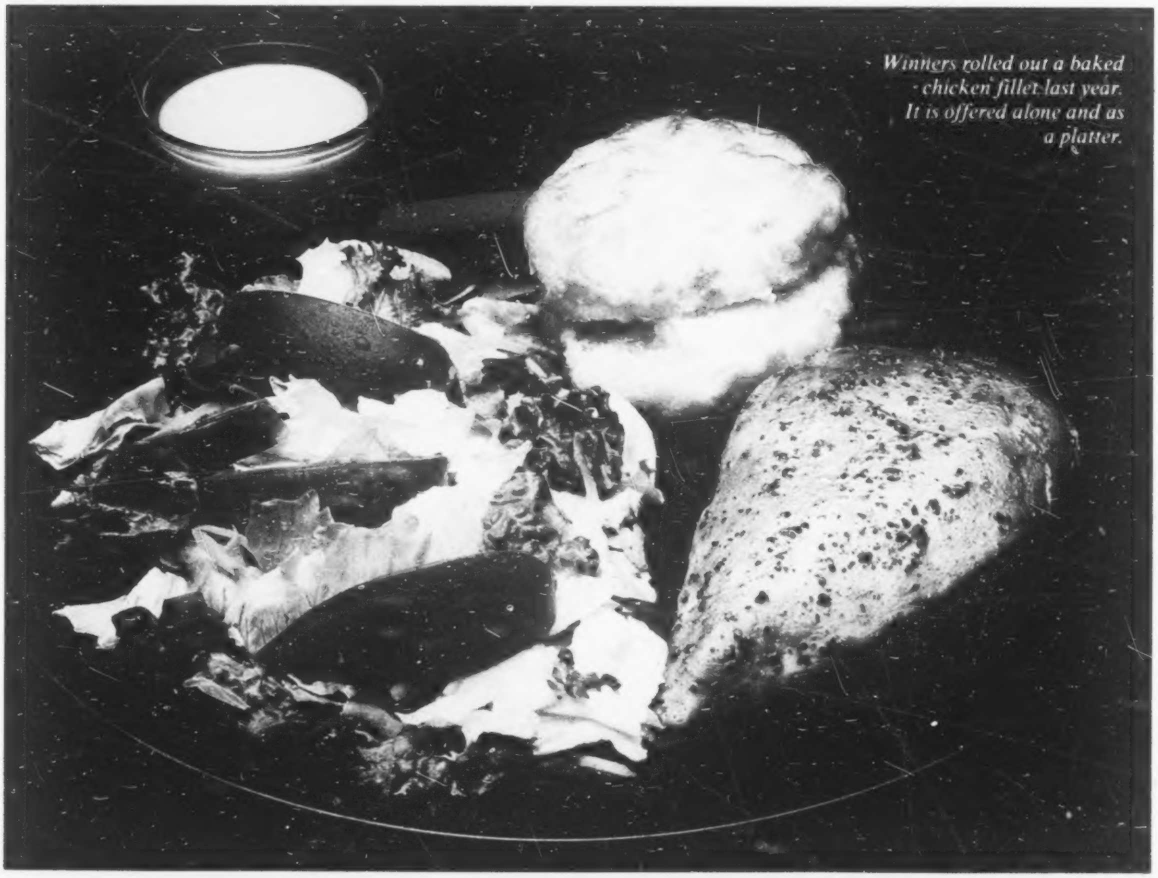
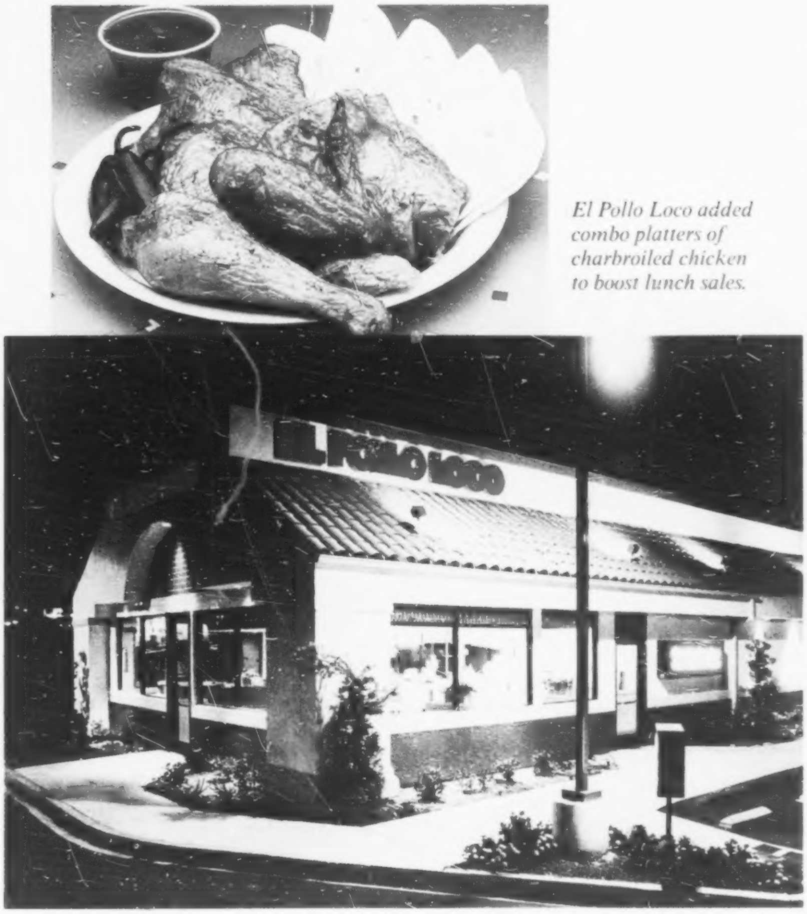


Winners rolled out a baked chicken fillet last year. It is offered alone and as a platter.

Chicken *continued from 129*



El Pollo Loco added combo platters of charbroiled chicken to boost lunch sales.

poultry on their menus—none of which are included in the RECOUNT data compiling the total number of chicken outlets.

McDonald's Corp. is among the largest purveyors of chicken in the country today, having taken the market by storm with Chicken McNuggets, and may soon extend its reach. Though the company will not confirm specific details, industry onlookers expect McDonald's next product rollout to be a chicken sandwich. There are currently two items in test, according to industry sources, both geared to respond to consumer demands for healthy food. In Minnesota, the hamburger giant is reportedly testing a grilled, nonbreaded whole muscle chicken fillet on a multi-grain bun. In some New Jersey/Philadelphia stores, a lightly breaded fried chicken product with one-third the breading content of its processed McNuggets has been in test for some time, selling for $1.59. It would have the same toppings and packaging as the McD.L.T.

Wendy's has done well with its whole fillet chicken breast sandwich, and Burger King is testing chicken fingers. The list goes on.

At the heart of all this growth is the fact that chicken is perceived as healthy food by consumers, lower in calories and fat than beef or pork. Chicken is also versatile enough for any operation to include on its menu. No operator or chain can ignore the potential of chicken.

Chicken prices have come down as well. Broiler prices averaged about 50 cents per pound last year, down from 55.6 cents in 1984, according to the National Broiler Council (NBC) in Washington, D.C. Production was up five percent in 1985.

Perhaps the most telling statistic, however, was that one in every seven pounds of broilers sold was boneless. Before 1980, boneless product accounted for only one in 20 pounds. According to the NBC, by 1990, boneless chicken will represent one in three pounds of all broilers sold.

Nugget mania continues

Increasing demand for boneless chicken is largely the result of nugget mania, as well as growing demand for boneless breast items. Every major fast food chicken chain now offers chicken nuggets, many having introduced them last year. Even the so-called upscale chicken chains like Saga Corp.'s Grandy's Country Cookin' are moving ahead with nugget introductions.

"Nuggets are strengthening our lunch and snack sales," says Kentucky Fried Chicken spokesman Billie Brown. "We've been very pleased with the way they've added to our menu." Kentucky Nuggets account for upwards of 14 percent of total sales currently. KFC is promoting heavily through advertising which positions its product against McNuggets, claiming better taste based on consumer tests.

Church's Fried Chicken, Popeyes, Bojangles' and other chicken chains offer nuggets, the latter two having rolled them out just last year. Popeyes introduced Cajun Nuggets, made from whole meat filet with a spicy coating. According to Lamar Berry, vice president, marketing, for the 540-unit chain, nugget sales are running as high as 12 percent of total sales in some units.

"It's more expensive using a whole meat product, but we think the consumer can tell the difference between it and a nugget made from fused product," says Berry.

Bojangles' president E. Christian Schoenleb says his company's 1985 nugget rollout has received a "fair" response.

Move toward nonfried

While nuggets continue to be hot, another trend is emerging which might further bolster chicken sales—a growing movement toward nonfried chicken. Though most

Kentucky Fried Chicken
8510

KFC's Casa Blanca decor is designed to boost dine-in business.

chains are tight-lipped about testing nonfried items, enough evidence is available to conclude there is widespread interest and testing.

Winners Corp. led the pack last year by rolling out a baked chicken fillet. The chain's move was widely hailed as a bold step toward addressing the consumer trend toward lighter foods and less frying, though costs incurred from the rollout hurt profits. Nonetheless, Winners claims the product itself is a good one. "It's allowed us to touch a consumer segment we weren't involved with before," says Stephen Gendreau, director of marketing. "It's also a very good dinner item when served with two side dishes."

Winners, which operates the Mrs. Winners Chicken & Biscuits chain, offers the baked fillet by itself or with side dishes as a platter. The company is also testing a soup and salad program and claims that initial results have been favorable. "This fits into the lighter fare trend as well," says Gendreau.

Winners' bold jump into nonfried chicken has caused others to look hard at their own menus. However, according to most chain executives, not much has gone past the test stage. Some, like market leader KFC, are not talking at all about their interest in the market, while others admit testing.

"We're always testing all kinds of products," says KFC's Brown when asked if KFC is testing a baked chicken item. "Until we get ready to go into a store, we couldn't make an announcement." Reports from around the industry are that KFC is indeed testing a nonfried item, but little is known beyond that.

Church's vice president, marketing, Fred Gonzales, offers quite a bit more. "We are working on a nonfried product, which should be out by mid-1986," he says, though he will not elaborate. If Gonzales's prediction is correct, however, it could mean a lot to the whole segment. A chain of Church's size committing to nonfried chicken will certainly spread enthusiasm to other chains, as was the case last year when the chain rolled out catfish. According to Gonzales, catfish, which is gaining a lot of interest from the industry, accounts for seven percent of sales currently.

Among some of the other chains testing nonfried chicken are Popeyes and Sisters Chicken & Biscuits, the

continued on page 134

Fresh off the farm.
New Southern Fried Catfish

Church's rolled out catfish last year; the product now accounts for seven percent of sales.

> Most of the fried chicken chains admit to testing nonfried products, addressing the consumer trend toward lighter foods and less frying.

Wendy's subsidiary. Popeyes is in the test kitchen stage with a product. Sisters, which rolled out catfish last year in order to round out its menu, has been testing baked chicken for a year in one Ohio store. "We haven't any plans to roll it out at this time," says Tom Heskamp, marketing manager for the 85-unit chain. "I do think we'll be seeing more of these types of products showing up around the market. They are definitely perceived as being healthier by the consumer."

According to Bojangles' Schoenleb, however, the chain has already discontinued a baked chicken test. "There's a lot of talk about nonfried chicken getting popular," says the Bojangles' president. "We tested baked chicken a while ago, but decided early on that it just wasn't right for Bojangles'."

"This market is getting a lot more competitive," says Steve Robinson, vice president, marketing, Chick-fil-A. "But we feel it's been working to our advantage." Chick-fil-A has been in the boneless chicken market from the beginning with its chicken breast sandwiches, and was one of the first chains to roll out a nugget.

Charbroiled chains expand

While the fried chicken chains—both fast food and upscale—are trying nonfried chicken, the charcoal-broiled chains are refining their operations to compete more effectively in the market. Most notable are El Pollo Loco, El Pollo Asado, and Marco Pollo. If a consumer likes chicken, and likes eating healthy without much fat, these chains should benefit with marinated chicken cooked over a grill.

"Unlike some other claims, our health angle is real," says Don Pierce, president of El Pollo Loco, a Denny's division. "This concept is having significant impact on fast food fried chicken, and I think we'll be seeing more nonfried items showing up among the larger chains."

El Pollo Loco, says Pierce, targets the fast food fried chicken customer. In 1985, the chain, now 50 units strong, added family packs of 8- and 12-piece orders. El Pollo Loco also added 2- and 3-piece combo plates at lunch last year to boost daytime sales. "Our number one strategy is to get customers away from fast food fried chicken outlets," says Pierce. The company began franchising last year, and hopes to open another 40 units this year. A major franchise deal was signed with Burger King

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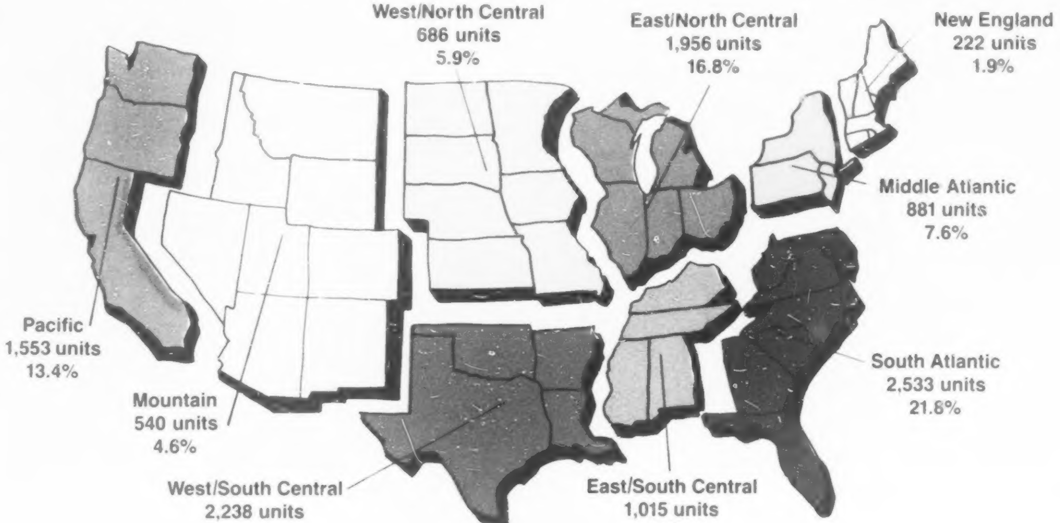
The South loves its chicken

Southerners really support the chicken segment. The South Atlantic alone accounts for more than one-fifth of the country's chicken restaurants.



Note: Percentages represent distribution of chicken restaurants by Census region.
There are 11,624 chicken restaurants in the U.S.; 3.5 percent of total U.S. restaurants.
Source: Restaurant Consulting Group, RE-COUNT, Spring 1985.

Key: ▨ darkest areas indicate highest concentration of units. ☐ lightest areas indicate lowest concentration of units.

Chicken *continued from 134*

The segment continues to refurbish older units; upgraded decor and more seating are aimed at increasing dine-in trade in this largely take-out segment.

franchisee Davco last year to develop the Orlando, Fla., area.

El Pollo Loco is also testing a boneless chicken breast sandwich, though the item is still in research and development. "We might test it this year," says Pierce, agreeing that boneless chicken is a hot item.

Don Seidholtz, vice president, marketing, for the 15-unit El Pollo Asado, says the Phoenix-based charbroiled chicken chain added Mexican items to its menu last year, accounting for seven percent incremental sales.

"The exciting thing about this market is that its newness protects it from the flat sales the rest of the industry is experiencing," says Seidholtz. "There's also tremendous growth for charbroiling because it's an empty niche."

Seidholtz adds that competition from the big fried chicken chains isn't likely. "Operationally, it would be very hard for fried chicken chains to switch over or add charbroiling to their mix. They'd have to add too much equipment." However, he adds, "I could see Burger King looking at a charbroiled chicken breast. That would fit their operation pretty well." Seidholtz says El Pollo Asado is not testing a boneless product at this time, though he does not rule it out as a possibility.

While in the middle of a boom in boneless chicken, Chick-fil-A is also operating within the same competitive environment that spawns other changes. The chain, with about 325 units in mall locations, is in the process of refurbishing all its units, and is also beginning to build freestanding stores. "Everyone's growth is prohibited from one thing or another," says Robinson. "Our growth is very much the function of what mall developers do, and right now they're not doing too much."

To secure further growth, Chick-fil-A is looking to develop a chain of freestanding units. Two types are being tested: a 24-hour concept, and a 90-seat unit for surburban areas.

Refurbishing continues

Chick-fil-A isn't alone in struggling to find the right package in the right location targeted at the right consumer. A lot of refurbishing continues to go on in the market segment, along with a lot of rethinking about what the customer wants.

KFC is now building restaurants with bigger lobbies, booth-seating, and upgraded decor packages in an attempt to bolster dine-in business and overall sales. Under a program for building new units and remodeling older ones, known as "Colonel's Classic," KFC's new units are built to accommodate the market both inside and out. One package, "Casa Blanca," fits arid environments with ceiling fans and tile floors, while "Spectrum" touts a high-tech look for urban locations.

"It costs a little more to build these units, but we've been seeing sales increases in those that have opened," says KFC's Brown. "We're also encouraging franchisees to go with the Colonel's Classic."

KFC's move toward more comfortable, better looking restaurants may be designed to boost dine-in business, an area where fast food chicken chains have historically done little. Though Brown agrees that new units are showing some increases in dine-in activity, she denies that is their only advantage.

"Yes, we do see increases in dine-in sales, but overall sales are also up," says Brown. "We're attracting new customers with the new designs, but we're also seeing older customers coming back."

Church's is taking a different approach. In a chicken market where upscaling and increased dine-in sales are often the name of the growth game, Church's has targeted mini-stores for its growth.

"We are not targeting dine-in business," says Church's Gonzales, who says 85 percent of the chain's sales come from take-out. The chain, which has built about 40 mini-stores, expects 40 to be added this year.

Church's decision to maintain heavy emphasis on take-out through developing mini-stores may well turn out to the company's advantage. But it is unusual considering where the rest of the chicken market is going in terms of building dine-in business. Nonetheless, Church's, like most others in the market, will continue expanding its base to attract more customers. And in the chicken market, those customers are coming from all over. ☐

LOVE THAT CHICKEN
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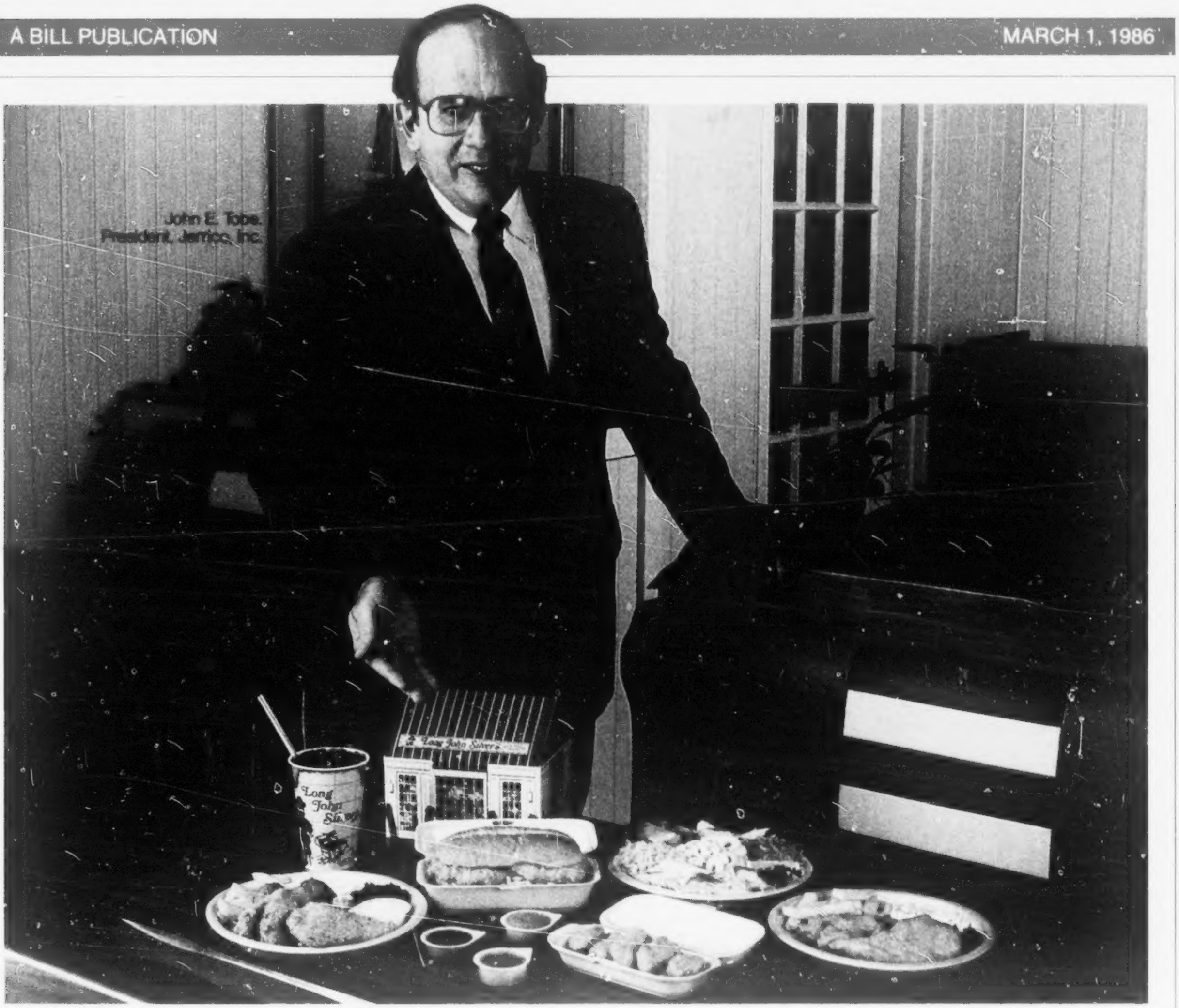
Restaurant Business

A BILL PUBLICATION MARCH 1, 1986



John E. Tobe,
President, Jerrico, Inc.

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Cover photo by Edward Betz.

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More competition in industry

The aging American population, rising levels of disposable income, growing numbers of small families, and dual income households are creating increasing competition in the restaurant industry, according to a recent study by Dun & Bradstreet.

Because of the slowing pace of population growth in the U.S., competition is intensifying and restaurants are focusing their efforts on increasing market penetration and building traffic volume. As a result, some standard perceptions are changing. Many fast food chains have started redesigning their menus as well as their buildings to attract an older customer. In addition, many small, upscale restaurants are now emphasizing competitive pricing and are trying to appeal to a broader customer base. Other restaurants are responding to the demand for lighter, healthier foods or ethnic and regional cuisines.

One of the most dramatic developments, the study shows, is the new emphasis on convenience. Many restaurants are adding take-out and delivery service to boost volume and to capitalize on the growing customer demand for convenience dining. Total revenues for food consumed off-premises is currently estimated to be as high as $2.5 billion and predicted to reach $7 billion by the 1990s. States with the highest projected sales growth for the past year are located in the Sunbelt. The exception is Alaska, which ranked first in expected sales growth.

The top 10 states ranked by projected restaurant sales growth

		% Change
1	Alaska	11.3%
2	Texas	11.2%
3	Colorado	11.0%
4	Oklahoma	11.0%
5	Arizona	10.7%
6	Wyoming	10.7%
7	New Mexico	10.5%
8	Florida	10.3%
9	Louisiana	10.2%
10	South Carolina	10.2%

Source: Dun & Bradstreet Credit Services and The National Restaurant Association

Alaska leads in restaurant sales growth; the Sunbelt follows.

NJRA welcomes new president

Cocktails, dinner, and an awards ceremony were all part of the New Jersey Restaurant Association's 1986 Installation of New Officers/Directors' Dinner.

The dinner was held to commemorate the outgoing NJRA president, Andrew Arbes, owner of Clare & Coby's Restaurant, and to welcome the incoming president Jeff Beers.

Beers, who was recently honored as Restaurateur of the Year by NJRA, is a principal in Growth Enterprises, Inc., which operates a six-unit New Jersey-based concept called The Office that he founded with partner Jack Welch. The Office is a quick service, mid-priced chain that features burgers and fries with a variety of toppings as well as shrimp and lobster scampi, all within a $4 to $10 price range.

NJRA's new president Jeff Beers, Growth Enterprises.

One of the primary challenges Beers will confront as NJRA president is the rising insurance costs that have resulted from liquor liability and dram shop laws.

"We have to make the penalty for all parties proportionate to the act that they commit," says Beers. "Too often, restaurateurs end up paying more simply because restaurant insurance costs more than car insurance." Other goals for the year include increasing membership and getting positive legislation for the industry passed.

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3 ways to reel in the big spenders.

Last year, Americans age 24-45 spent an estimated $2.5 billion for "boutique" cookies, and that's expected to double this year.

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PEPPERIDGE FARM

The steak house stampede

by Jacque White Kochak

Many chains are rushing to change menus, decor, and their outdated 'budget' image.

The steak segment is in the midst of radical change, as consumers move away from red meat *and* demand more variety. Nowhere is this more apparent than among the so-called "budget" steak houses, a subsegment seen as dead or dying by some and defended as viable and healthy by others. Though there are many successful upscale steak houses (predominantly independently owned) that are enjoying growth catering to those consumers who love a good steak, no matter what, the family-price steak chains are finding that a certain amount of self-evaluation is an absolute necessity.

"I don't feel that the budget steak category is even in existence today," says Lane Schmeising, vice president of marketing for USACafes, which operates some 530 Bonanzas nationwide. "Our menu has gone through a tremendous evolutionary process, and we now consider ourselves a budget family meal restaurant."

"There is no budget steak category," concurs Michael Minchin, Jr., vice president of advertising for Sizzler Restaurants International Inc., a subsidiary of Collins Foods International with some 550 restaurants nationwide. "We have been moving into the casual dining segment for the last two or three years."

Meanwhile, other companies proclaim themselves to be solidly ensconced in the budget steak segment, with no intention of repositioning, although they are experimenting with menu additions to reach a broader market.

Spokesmen for these companies dispute the contention that the segment is dying. "Some companies are going to have to decide what they want to be," says Marshall Digh, president of Western Steer-Mom 'n' Pop's Inc., which operates about 200 steak houses in the Southeast. "Somebody's going to stay in the economy steak business, and we want it to be us."

The outlook is equally mixed for steak restaurants operating at higher price points. These restaurants are selling quality more than price, and some say they see little diminution in demand. They, too, are expanding menus somewhat in an effort to offer the customer more choices. For most of them, however, the focus continues to be on steak.

"We are a steak house, that's what we do best, and that is where we will stay," says Ruth Reed, vice president of marketing for Steak & Ale, a Pillsbury subsidiary, in summing up the general attitude. "Though we just added fresh fish, in no way will fish become a majority of our sales or entrees."

Steak is still the most common customer choice at Ponderosa.

Segment growth

The steak segment has been among the slowest growing segments included in the report "Restaurant Franchising in the Economy, 1978-1983," prepared by the U.S. Department of Commerce and *Restaurant Business*. Between 1978 and 1983, sales of full menu steak restaurants grew only 60 percent, from $4.5 billion in 1978 to $7.3 billion in 1983 (the

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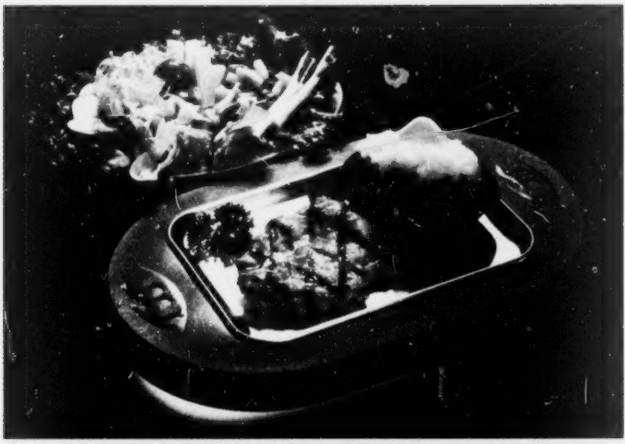

Chicken entrees have helped boost Bonanza's traffic.

Ryan's new Mega Food Bar has upped sales significantly.

Steak houses represent only 2.5 percent of total U.S. restaurants.

latest year for which figures are available). Only pancake and waffle restaurants, with a 45 percent increase in sales during the five-year period, showed slower growth. By comparison, seafood restaurants increased total sales by 190 percent, and pizza restaurants by 154 percent.

Though steak is an American institution, restaurants specializing in steak are not as common as one might think. According to the Spring 1985 RE-COUNT study prepared by the Restaurant Consulting Group, Inc., restaurants specializing in steak comprise only 2.5 percent of total U.S. restaurants, down from 2.6 percent in 1984. By contrast, 10.8 percent serve pizza, and 8.5 percent serve hamburgers.

Family-priced steak houses

As noted, total repositioning is a strong trend in this segment. Sizzler and Bonanza are leading the move.

Sizzler's annual revenues and net income continue on an upward trend, with systemwide revenues for fiscal 1985 reaching $443.3 million, an increase of $59.3 million over 1984 systemwide revenues of $384 million. What is significant is that average unit volumes have increased to some $1.2 million (slightly less for franchised units) in the first quarter of fiscal 1986 from around $800,000 in the first quarter of 1984.

A key part of repositioning is expansion of the menu, and vice president of advertising Minchin says that 63 percent of menu items are now non-beef, and that fresh fish sales run as high as 20 percent in some units. In addition to steak, the menu now includes a number of fish items and chicken, as well as combination platters.

The menu is supplemented by a massive fresh fruit and salad bar and an all-you-can-eat soup bar, which Sizzler credits with spurring healthy increases in lunch customer counts.

An aggressive remodeling program is also aiding Sizzler's move away from its old image. Sixty-seven company restaurants were remodeled in fiscal 1985, with the newly redesigned units showing 30 to 100 percent increases in sales and customer counts, says Minchin. Besides concentrating on converting the units to the new look, the company will open 15 to 20 stores a year in addition to new franchises.

An important part of Sizzler's expansion strategy recently was the purchase of Tenley Enterprises, which gives the company a significant foothold on the East Coast. Tenley's operated 80 Rustler steak houses in New England, Pennsylvania, and the Mid-Atlantic region.

Like Sizzler, Bonanza is succeeding in attracting a younger, more affluent customer by remodeling units and broadening the menu. The result has been increased customer counts, increased net income, and substantially higher average unit volumes in newer units, says vice president of marketing Schmeising.

Revenues were up 15 percent to $420 million in fiscal 1985, from $388 million. Net earnings were also up some 15 percent, he says. Most significantly, new restaurants last year showed volumes of $1.2 million, compared to a chainwide average of $800,000, says Schmeising.

The shift away from an all-steak menu began with "Freshtastics," a massive salad, soup, vegetable, fruit, cheese, bread and dessert bar introduced in 1980. Some 33 to 35 percent of Bonanza's sales now come from salad as a main course. Next came broiled chicken and seafood. Now fajitas and catfish are in test.

Bonanza plans aggressive growth in the next few years, with some 50 to 60 units opening annually. The majority will be franchised. USA-Cafes, parent of Bonanza, recently tendered an unsolicited cash offer to Ponderosa stockholders; Ponderosa directors promptly rejected the of-

continued on page 120

fer, but USACafes has announced its intention to continue its pursuit.

A repositioned York Family Restaurants division has been targeted as one of several areas of increased emphasis for parent General Mills Corp. The first move was to eliminate the dark British feel of units in favor of a light, bright look. A total of 109 out of 121 restaurants are located in shopping malls, and an integral part of the makeover involves replacing the lease-line wall with a take-out counter, which opens the restaurant up to mall corridors.

York's new Choices concept retains the menu's popular steaks, but more chicken and seafood are featured as well as croissant sandwiches, a broiled chicken breast sandwich, two cheeseburgers, and sandwiches.

Ponderosa's efforts have also been extensive; over the last few years, the company has added filet mignon, sirloin tips, chicken breast fillet, country fried steak, chicken Italian, shrimp, fried and baked fish, and a variety of sandwich platters.

In fiscal 1984 the company introduced its 50-item, all-you-can-eat salad buffet, followed by the introduction of a breakfast buffet, the "Hot Spots" vegetable buffet, and an all-you-can-eat sundae bar now in test in about 100 units. The sundae bar, priced at 49 cents with an entree, will be rolled out systemwide by March, says Jim Thompson, chief financial officer and senior vice president of Ponderosa.

Despite all the menu expansion, Thompson is emphatic that the company is not leaving the steak segment. "Steak is still our most common customer choice by two to one," he says.

Part of the strategy behind some of the menu introductions is to lower food costs and improve profit margins. This move is prompted by the fact that net income for fiscal 1985 declined to $8.4 million from $12.1 million in fiscal 1984, despite record systemwide revenues of $694.7 million in fiscal 1985 (sales for company stores were up 20 percent to $513.3 million). Thompson estimates that sales for fiscal 1986, ended this February, will be about the same as last year's, but that net profit will improve.

Like Sizzler, Bonanza, and York, Ponderosa is pursuing a remodeling program to lighten and brighten units. Everything from signage to uniforms is being "freshened."

Some chains are remodeling to attract a broader and more affluent customer base.

Ponderosa has announced a goal of adding 500 franchised units in the next six years, with the Sunbelt states being emphasized to avoid the economic and weather cycles of the Midwest and Northeast, where most units are now located.

Quincy's and Western Steer, both with units concentrated in the Southeast, have added "hot bars" similar to Ponderosa's "Hot Spot." For example, 200-unit-plus Quincy's hot bar offers black-eyed peas, green beans, corn, fried okra, macaroni and cheese, and zucchini. The hot bar comes with the salad bar. Steak continues to dominate Quincy's menu, but the company recently added a homestyle chicken fillet.

Western Steer, which also operates around 200 units, is concentrating on expanding company-owned units. Only 32 are currently company-owned, says president Marshall

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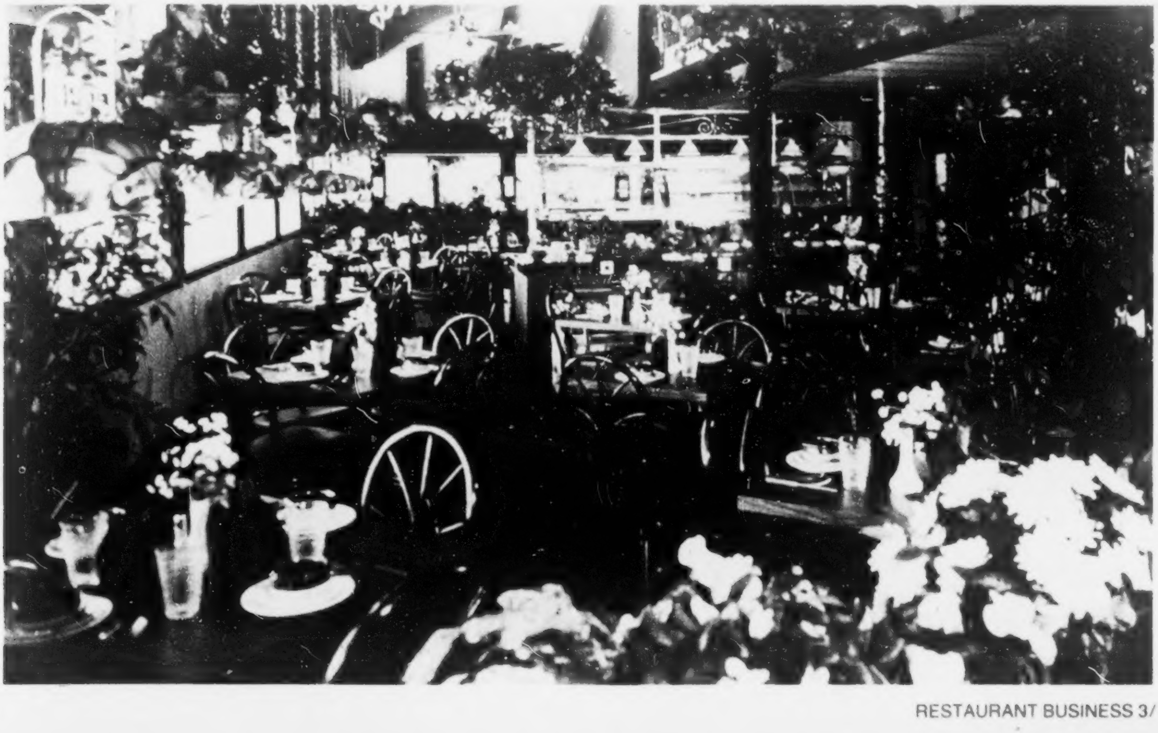
As a result of remodeling 67 units in fiscal '85, Sizzler had increases in sales and customer counts.



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Digh, the strategy is to increase that ratio to 50/50. Total systemwide sales for fiscal 1986 (ended February) are projected at about $175 million. Average unit volumes, spurred by increased customer counts, have risen to $900,000 from $872,000 a year ago, says Digh.

Golden Corral, with 453 units scattered across the country, is holding steady with its heavily beef-oriented menu, though chicken was added last year and fried shrimp was just added this quarter. At Golden Corral, USDA Choice beef is cut fresh in every unit, and president Ted Fowler attributes the company's 13th record year in sales, profits, and numbers of stores to the quality of the product.

A small chain (54 units) that is showing big growth is South Carolina-based Ryan's Family Steak Houses, which also emphasize quality—in fact, food costs typically run close to 50 percent. Sales were projected to grow by 40 percent in 1985, and analysts predict the company will be able to keep up that growth rate through the next decade. Average unit volumes are $1.5 million.

Menu additions have been kept to a minimum, and Ryan's has no plans to remodel units, but the company has added a new Mega Food Bar that has upped sales significantly.

Customers still like beef, but want innovation and variety too.

Full service steak houses

Many full service steak restaurants, though affected somewhat by consumers' move away from red meat, are faring quite well. Others, notably Victoria Station, are suffering. Most have broadened their menus somewhat.

Typical is Steak & Ale, with 181 units in 29 states. Sales and customer counts are strong (sales for fiscal 1985 were $268.5 million, up 4.5 percent over 1984) but the company recently added several fresh fish selections daily. Four to six fresh fish entrees, either grilled or baked, are served with steamed vegetables in butter sauce and rice pilaf.

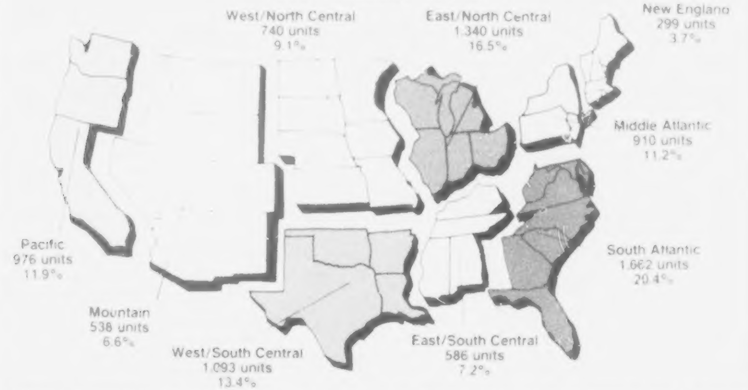
Managers call an 800 number before 4 p.m. each day to find out the next day's fresh fish selections and prices. The fish is then sent Federal Express from the docks at Ft. Lauderdale by Steak & Ale personnel, eliminating a middleman.

Besides the move to add new entrees to menus, consumers are showing interest in different ways of preparing beef, says Ruth Reed, Steak & Ale's vice president of marketing. The company has added bearnaise, peppercorn, red wine and horseradish sauces to the menu to add interest to any entree.

"People are still looking for beef, but they want to see more variety and innovation in how it is prepared and presented," Reed says. "If you like beef, you like it."

South Atlantic Leads in Steak Units

Midwesterners and Southerners like their steak best of all. Together, the two regions represent nearly forty percent of all steak house units.



Note: Percentages represent distribution of steak house restaurants by Census region. There are 8,144 steak house restaurants in the U.S.; 2.5 percent of total U.S. restaurants. Source: Restaurant Consulting Group, RE-COUNT. Spring 1985.

Key: ▨ darkest areas indicate highest concentration of units. ☐ lightest areas indicate lowest concentration of units.

THE TOP TEN "BUDGET" STEAKHOUSE CHAINS

Company Name (current average unit volume)	1985 Systemwide Sales	1984 Systemwide Sales	1985 Units	1984 Units
Ponderosa ($1 million)	$694.7 million	$595.9 million	621	600
Sizzler ($1.2 million)	$443.3 million	$384 million	465	451
Bonanza ($800,000)	$420 million	$387.5 million	551	551
Western Sizzlin' ($840,000*)	$420 million*	$428 million*	500	510
Golden Corral ($750,000)	$290 million*	$216.5 million	453	382
Quincy's ($850,000*)	$200 million*	$169 million*	200	198
Western Steer ($900,000)	$164 million**	$157 million	187	177
York Family Restaurants ($1.2 million*)	$145 million*	$158 million*	121	129
Mr. Steak	$128 million*	$148 million	197	227
Ryan's Steak Houses ($1.5 million)	$55 million	$32.7 million	54	45

**Restaurant Business* estimate **Fiscal 1986, ending 2/86

For information circle number 87 (sectional) ▶

NOTE

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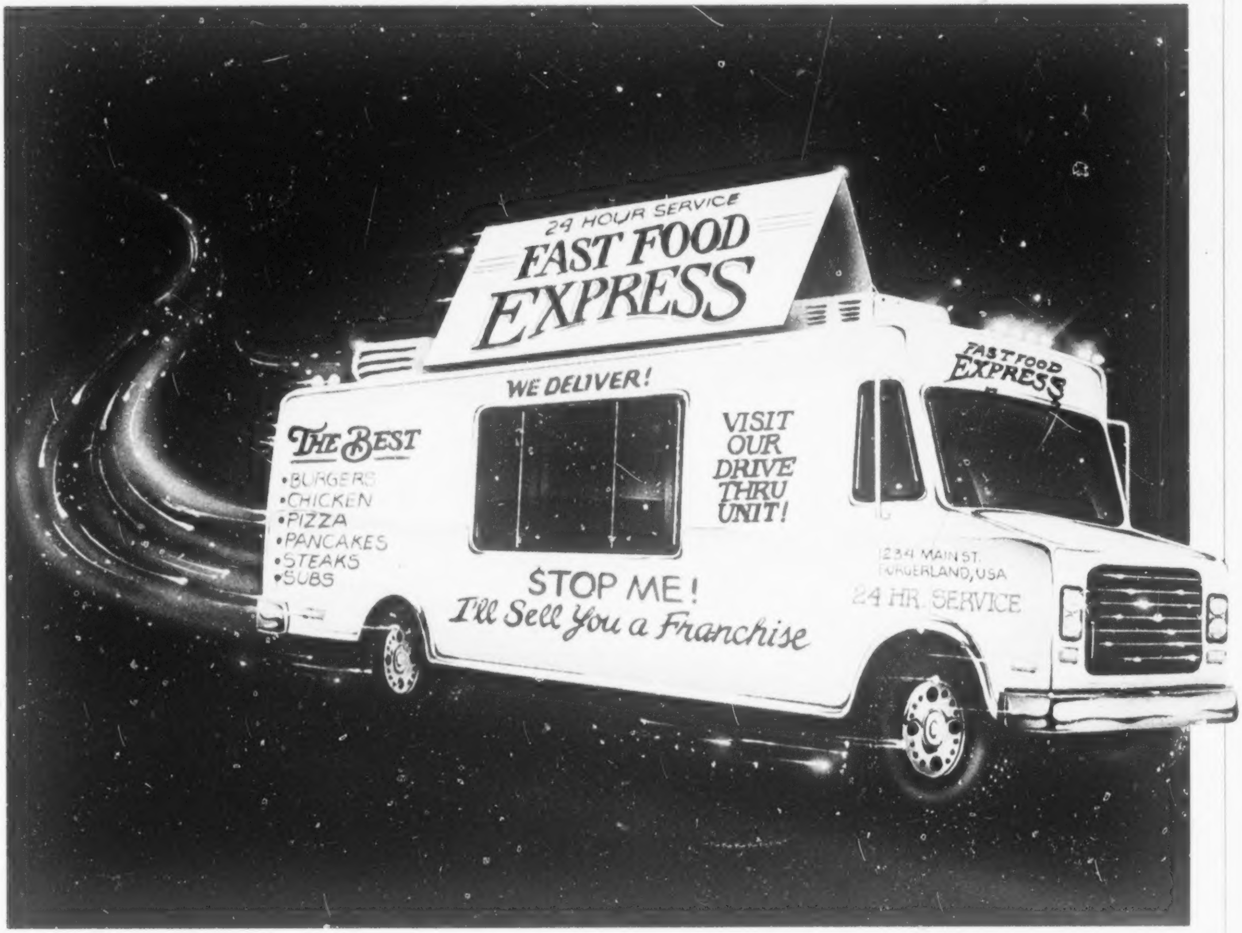

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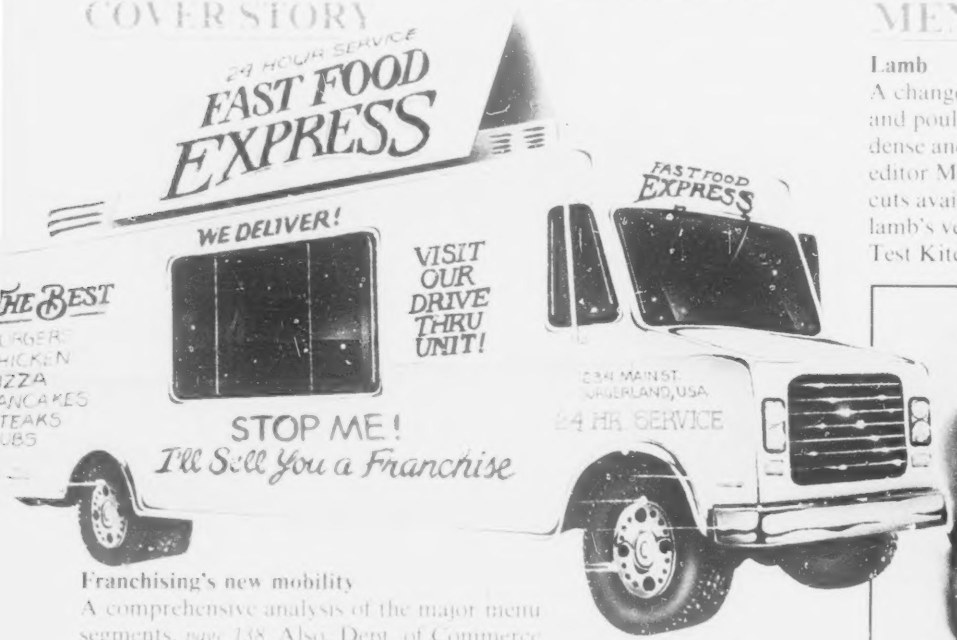

Franchising's new mobility
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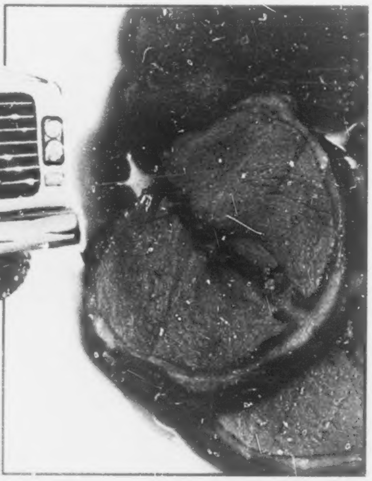

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Cover illustration by Kurt Merkel

ICE CREAM

The ice cream segment is maturing as operators target adults with new menu items.

The ice cream segment is maturing as more and more ice cream shops are broadening menus to cater to the health-conscious and adult population.

Minneapolis, MN-based Dairy Queen, the giant among ice cream chains with 4,827 units reports that 1985 was one of its best years ever, and that 1986 calls for 160 new units. The chain is also involved in a joint venture with Mister Donut to six dual concept locations in 1986.

The major new product introduced this year by Dairy Queen was Blizzard, soft serve blended with a variety of candies and cookies.

With 3,160 units (over 3,000 franchised), Baskin Robbins is the second largest ice cream chain. Earlier this year, the Glendale, CA-based chain introduced a line of sherbets and two new ice cream flavors.

The Yonkers, NY-based Carvel Corporation, which has been in business for over 50 years, currently has more than 800 franchised units and two company-owned stores.

Carvel offers both hard and soft ice cream as well as novelty items, dietary frozen desserts, and sherbets. Average unit sales range from $325,000 to $350,000.

Another chain that has been expanding quickly is Bresler's 33 Flavors. The 400-unit, Chicago,IL-based chain is creating a stronger presence in established markets by opening 40 to 50 units systemwide with a high concentration in Chicago. Recently, the chain rolled out a tofu-like non-dairy product and a waffle cone sundae.

Swensen's Ice Cream Company will be concentrating on opening units in the Sunbelt and California for 1986. The Arizona-based company currently has 382 units in operation in the U.S. and abroad. Swenson's will open 25 to 30 stores in the U.S., including Alaska, and 15 internationally, including Australia.

This year Swenson's is promoting its scaled-down store model designed for smaller market areas. The modified store is 2,000 sq. ft. compared to the 3,000 sq. ft. of the full-service store.

The yogurt and superpremium chains have been steadily adding more units and establishing themselves within the ice cream segment over the past few years.

New York City, NY-based Everything Yogurt, one of the forerunners in the frozen yogurt market, has 65 units, and plans to add 15 stores in 1986, primarily in the Northeast.

I Can't Believe It's Yogurt has 50 stores in operation. The Dallas, TX-based company has 100 units currently under construction throughout the U.S. and has plans to open another 30, mostly in the Southwest.

This Can't Be Yogurt, a 256-unit chain with its concentration in the Southwest and Southeast, has plans to add 250 more units across the U.S. including new markets in the Northeast and Northwest.

Haagen-Daz, established in 1970, has 336 units in the U.S., primarily in malls and strip centers. The company, which will open 30 units in 1986, is promoting its new sorbet line and new ice cream bar.

Larry's Olde Fashioned Ice Cream Parlours, Inc., continues its quick growth rate. Since 1981, the Oldsmar, FL-based chain has 75 units throughout the Southwest.

Frusen Gladje ice cream, a 67-unit, New York-based company has also been established only since 1981 but is making its mark in the superpremium market. Twenty-five units are planned for 1986.

Frusen Gladje founder Richard Smith and the Andal Corp., have bought 49-unit Steve's Ice Cream and plan to open 25 units outside the chain's Northeast stronghold.

Another small but growing superpremium chain is Ben & Jerry's. The 14-unit, Waterbury, VT-based chain plans to open 20 units in 1986 along the East Coast.—**Cheryl Turi**

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ICE CREAM AND YOGURT STORES *(49 franchisors)*

	Sales ($000)			Units		
	Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
1984	944,693	55,977	888,716	6,736	202	6,534
1985*	1,059,589	71,310	988,279	7,717	250	7,467
1986*	1,273,290	95,405	1,177,885	9,038	340	8,698

*Data for 1985 and 1986 estimated by respondents

DONUT

By broadening menus, donut chains are trying to build traffic at lunch and snack periods.

Following the lead of operators in the other major segments, donut chains are also responding to the health trend and the breakfast boom that has hit the nation. The introduction of muffins, soups, croissants, and croissant sandwiches are establishing donut shops as a place where customers can obtain light and quick foods during all dayparts.

The dominant companies in the segment include: Dunkin' Donuts, based in Randolph, MA, which operates 1,447 units in the U.S. and 126 in foreign countries; Mister Donut of America, a division of International Multifoods, based in Minneapolis, MN, which operates 726 units worldwide; and Winchell's Donut House, a Denny's subsidiary based in La Mirada, CA, which operates 737 units in the U.S.

Segment leaders say reasons for strong expansion in the donut segment are tied to a new image many of the companies are promoting. Dunkin' Donuts vice president and treasurer Richard Hart says, "One of the reasons we will be able to add 115 stores (85 in North America and 30 overseas) by year-end 1986 is because the customer is not seeing us just as a place to get donuts. Some consumers see us as a bakery, others see us as a take-out operation."

In addition, Hart says, the company's new line of muffins and croissant sandwiches (ham and cheese, roast beef and cheese) are catering to the health conscious customer while helping to build lunch sales.

Dunkin' Donuts has one of the largest average annual unit volumes in the segment at $431,900.

Mister Donut is also following the current breakfast boom and health trend in the industry with the introduction of "healthy breakfast and lunch items," says spokesperson Deanne Becker. "The new trends are not hurting us; they are allowing us to sell a larger variety of products. We are trying to show that Mister Donut can be an all-day alternative, not just a breakfast spot."

Some of the new products include a line of muffins including blueberry, bran, corn, chocolate chip, and maple nut, and five types of bagels offered with various toppings. In addition, the company is strengthening its lunch sales with a variety of soups served with biscuits.

Although Mister Donut does not have the exact number of units planned for 1986, expansion will concentrate along the East Coast, Pacific Basin, and the Middle East.

One of the most recent and interesting expansion agreements in the segment involves Winchell's Donut Houses and Arco gas stations. The donut chain is teaming up with Arco's convenience store chain, called AM PM, to build up its sales and West Coast market presence. Winchell's and Arco will open six stores in the Los Angeles and Phoenix markets before the end of March. Future expansion plans with the C-store chain will begin after an 18-month test period.

In addition, the company, which has not been franchising for 14 years, plans to franchise 50 units throughout the West.

Although the large companies can claim a steady expansion rate, the smaller companies are also experiencing growth. California-based Spudnuts, one of the oldest chains in the segment, has 35 units (eight company-owned, 27 franchised) with plans to open six units in California, Texas, and Arizona.

Granny's Donut Houses, a small western chain with units located in Wyoming and Colorado, is looking to establish a track record and find some people interested in helping the company grow. The Casper, WY-based company features 52 varieties of donuts. This year, blueberry, bran, and cranberry-orange muffins and croissant sandwiches were introduced. —**Cheryl Turi**

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DONUT SHOPS *(21 franchisors)*

	Sales ($000)			Units		
	Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
1984	756,591	88,063	668,528	2,318	218	2,100
1985*	842,901	95,145	747,756	2,464	221	2,243
1986*	960,601	102,967	857,634	2,698	224	2,474

*Data for 1985 and 1986 estimated by respondents.

Restaurant franchising in the economy

by Andrew Kostecka

The restaurant business is the top format franchise industry with sales of $48.9 billion in 1985.

The franchise system of distribution is a significant part of the U.S. economy. Franchising has become a powerful force partly because economic factors have made growth through company-owned units difficult for many businesses. To follow this rapidly growing industry, the U.S. Department of Commerce conducts a comprehensive annual survey, Franchising in the Economy, 1984-1986, *which is prepared by Andrew Kostecka. Following are excerpts from the* exclusive *study providing an overview of business format franchising and a specific analysis of the restaurant industry.*

Franchising sales of goods and services in more than 478,000 outlets are expected to reach $576 billion in 1986, about nine percent higher than a year earlier and about 72 percent over the level of sales at the start of the 1980s. Employment in franchising, including part-time workers and working proprietors, was 5.7 million in 1984 and will probably reach more than 6.3 million by the end of 1986. Movement by U.S. franchisors to foreign markets continues to grow at a rapid rate. In 1984, there were 328 U.S. franchisors with over 27,000 outlets located overseas.

Business format franchising

Business format franchising is characterized by an ongoing business relationship between franchisor and franchisee that includes not only the product, service, and trademark, but the entire business format itself—a marketing strategy and plan, operating manuals and standards, quality control, and continuing two-way communications. Restaurants, nonfood retailing, personal and business services, rental services, real estate services, and a long list of other service businesses fall into the category of business format franchising. Business format franchising has been responsible for much of the growth of franchising in the United States since 1950 and will continue to offer opportunities for those individuals seeking their own businesses.

The volume of sales and the number of units owned or franchised by business format franchisors have been steadily on the rise since 1972. Sales of business format franchisors are expected to be over $151 billion in 1986, compared with $135 billion in 1985 and $122 billion in 1984; the number of establishments expected to increase to almost 329,000 in 1986, compared to 300,971 in 1985 and 283,576 in 1984.

The number of business format franchisors offering their products and/or services to prospective franchisees has also been rising steadily since 1972 and this upward trend is expected to continue through the 1990 as more companies are choosing to expand through franchising.

Large franchisors, those with 1,000 or more units each, continue to dominate business format franchising, with 54 companies accounting for 50 percent of all sales and establishments in 1984. The total number of outlets reported by these large franchisors stood at 141,796 with sales of $60.6 billion. Thirteen of these large franchisors were engaged in restaurants and nine were in automotive products and services.

Sales of products and services by business format franchisors to their

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franchisees totaled $6.8 billion in 1984 and might rise to about $8.4 billion by 1986. Franchisor sales of merchandise for resale were largest in the nonfood retailing category—$2.3 billion in 1984—followed by automotive products and services at $1.9 billion. Franchising sales of food ingredients amounted to $1.8 billion in 1984 of which $987 million went to restaurants and $792 million to food retailers other than convenience stores.

Trends and outlook

The trend toward formation of franchisee advisory councils and associations, in which franchisors participate, is continuing. These forums serve not only as a place for franchisees to air out problems, but in many cases, they become the source of stimulating ideas that often lead to increased profit for both, and a strengthening of the franchise system. In terms of business relations, these forums also give franchisees a voice in the operation of the company, and serve to reduce friction points between headquarters and the franchisees before they lead to legal encounters and angry confrontations.

The multi-unit franchise continues to gain popularity with the franchisor for related reasons. It is easier and more efficient for a franchisor to deal with a franchise holder who has a major stake in the business.

Franchising will continue to widen its scene to include a variety of service industries including a broad range of computerized services, professional services, and other areas geared to the needs of small- and medium-sized businesses. More franchising is also expected in areas that specialize in health and fitness programs and in maid services. Other areas that show growth potential are temporary help services, ice cream outlets, video equipment sales, and the automotive aftermarket.

RESTAURANT FRANCHISING, 1984-1986
SALES ($000)

Major Activity	Firms	1984 Total	1984 Company-Owned	1984 Franchisee-Owned
Chicken	33	$3,891,165	$1,599,723	$2,291,442
Hamburgers, Franks, Roast Beef, etc.	105	22,043,955	6,055,926	15,988,029
Pizza	104	4,932,329	1,874,951	3,057,378
Mexican (Taco, etc.)	36	2,113,104	1,121,070	992,034
Seafood	12	1,074,426	622,258	452,168
Pancakes, Waffles	13	985,350	318,193	667,157
Steak, Full Menu	111	7,767,393	4,671,807	3,095,586
Sandwich and Other	51	626,060	129,624	496,436
TOTAL	465	43,433,782	16,393,552	27,040,230

Data estimated by respondents for 1985 and 1986

RESTAURANT FRANCHISING, 1984-1986
NUMBER OF UNITS

Major Activity	Firms	1984 Total	1984 Company-Owned	1984 Franchisee-Owned
Chicken	33	8,576	3,162	5,414
Hamburgers, Franks, Roast Beef, etc.	105	29,305	6,445	22,860
Pizza	104	12,705	4,362	8,343
Mexican (Taco, etc.)	36	3,774	1,702	2,072
Seafood	12	2,320	1,308	1,012
Pancakes, Waffles	13	1,704	526	1,178
Steak, Full Menu	111	9,563	4,883	4,680
Sandwich and Other	51	2,548	563	1,985
TOTAL	465	70,495	22,951	47,544

Data estimated by respondents for 1985 and 1986

Changing demographics, lifestyles, and purchasing patterns have caused a quiet revolution in retail marketing. Franchisors reacting to the consumer marketplace are providing additional services to meet the needs and desires of certain age, marital status, income level, and lifestyles groups. As a result of these changes, retail franchisors are adopting new store fronts and adding new products and services, such as providing financial services catering to the desires of local customers.

In franchising, trading up (an emphasis on better quality merchandise) should assume greater importance in the years ahead. Continued growth in disposable personal income should provide the finances required to pay for merchandise needed to complement existing or desired lifestyles.

Nonfood retailing will expand and accommodate new types of stores and products. The growth of specialty store retailers featuring specialized merchandise and services can be expected to continue. The proliferation of stores that sell

1985*			1986*		
Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
$4,402,558	$1,848,639	$2,553,913	$5,085,080	$2,131,906	$2,953,174
24,058,881	6,684,416	17,374,465	26,457,012	7,472,962	18,984,050
5,721,265	2,190,494	3,530,771	6,740,770	2,488,581	4,252,189
2,403,653	1,273,152	1,130,501	2,678,791	1,395,125	1,283,666
1,202,950	705,150	497,800	1,409,910	824,450	585,460
1,065,430	335,595	729,835	1,140,638	358,498	782,140
8,413,997	5,011,151	3,402,846	9,400,887	5,463,652	3,937,235
739,839	156,123	583,716	896,420	183,115	713,305
48,008,573	18,204,720	29,803,853	53,809,508	20,318,289	33,491,219

1985*			1986*		
Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
9,256	3,392	5,864	10,175	3,721	6,454
31,016	6,937	24,079	33,189	7,657	25,532
14,417	4,876	9,541	16,259	5,300	10,959
4,200	1,862	2,338	4,660	2,007	2,653
2,463	1,401	1,062	2,737	1,551	1,186
1,773	543	1,230	1,876	579	1,297
9,877	4,989	4,888	10,648	5,204	5,444
2,872	580	2,292	3,379	645	2,734
75,874	24,580	51,294	82,923	26,664	56,259

rent video cassettes and small computers/software are examples.

Food retailers will continue to seek more efficient ways of appealing to the segmented food market. They will also attempt to obtain a larger share of the consumer's budget that is normally spent in restaurants. In addition, food retailers will compete fiercely among themselves for market share.

The trend of acquisitions of franchising companies is persisting, indicating that franchising is an integral and established method of conducting a profitable business. Rising costs and the proliferation of government franchise regulations have been cited as contributing factors in the increased use of the acquisition route as a means of expanding the franchising form of distribution.

International markets

U.S. franchisors are currently operating in most major countries or are engaged in serious negotiations for the purpose of entering foreign markets, an indication that foreign nations have welcomed the entry of U.S. franchisors and that local laws and regulations have not been overly restrictive as they apply to U.S. restaurant chains.

Franchising operations in foreign markets, however, involve many of the same problems confronting other business ventures. Language difficulties, differences in customs, and sometimes unpredictable government decision-making are examples of impediments all U.S. franchisors encounter when attempting to take advantage of opportunities in other countries.

Compared to other service sectors, the problems of franchise companies in accomplishing international transactions, are relatively less formidable. Franchisors must comply with the same requirements as domestic businesses and the franchise agreements must comply with local contract law, antitrust law, and trademark licensing laws.

We know of no real trade barriers that discriminate specifically against U.S. franchisors. There are no specific regulations restricting franchise operations and no prohibitive laws governing franchising that differ from those which affect other types of business operations. Of course, some restrictions affect franchising more than other businesses but that is because of the nature of franchising rather than a foreign government's opposition to franchising as a system of distribution.

Foreign countries are increasingly exhibiting the same attributes which fostered the surge of service industries in the U.S. These attributes include rising disposable personal income, growing demand for consumer goods and services, expanding urbanization, and higher mobility.

The Department of Commerce survey reveals that 328 U.S. franchising companies operated 27,021 outlets in foreign countries in 1984,

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The trend toward the use of franchisee advisory groups helps avoid legal battles.

this compares with 305 franchisors with 25,682 outlets in 1983. Furthermore, an additional 137 companies have indicated that they are considering extending their U.S. operations to foreign countries by the end of 1987. This interest has been expressed mostly by small- and medium-sized franchisors, marketing a variety of services and products. Of the companies seeking foreign markets, 32 are franchisors of business aids and services and 30 are restaurant franchisors.

The form of entry into foreign markets varies considerably, with many firms using more than one method in conducting foreign operations. Of the 328 franchisors doing business in foreign countries in 1984, 307 sold their outlets to franchisees, either directly or through a master licensee who received the right to develop the franchisor's system in a specific country or region; 38 operated joint ventures; and 52 had some company-operated units.

Canada continues to be the dominant market for U.S. franchisors despite its declining share of U.S. foreign outlets. In 1984, 30 percent of all U.S. foreign franchised outlets were located in Canada, down from a high of 46 percent in 1971. A total of 233 U.S. franchising firms with 8,101 units operated in Canada in 1984, predominantly in restaurants (1,591), nonfood retailing (1,477) and business aids/services (1,012).

Japan continues to be the second largest market for U.S. franchisors with a total of 5,659 units, of which 72 percent represent various food categories such as restaurants, donut shops, ice cream stores and convenience food stores.

The United Kingdom ranks third with 2,456 outlets.

Retail growth

Retailing dominates franchising, accounting for 58 percent of all franchising receipts in 1985. The retail sales of all firms associated with franchising reached about $468 billion in 1985, or 33 percent of all U.S. retail sales estimated at $1.4 trillion.

Continued growth in disposable income should provide the finances required for future purchases. Retailing will continue to expand and accommodate new types of stores and products. The proliferation of stores that sell or rent video cassettes, small computers, and software are examples of new stores and products. For all retailing (including franchising), the greatest growth from 1975 to 1985 was by food stores, followed by building materials; eating and drinking places; furniture, home furnishings and equipment stores; and drug stores.

The remainder of the decade should witness the continued growth of retail stores that sell at less than full mark-up. These stores include off-price outlets, warehouse operations and deep-discount stores.

Restaurants

In recent years, there has been an increase in the development of theme-oriented eateries. In addition, traditional restaurants seeking to maintain and expand market share are reviewing their current operations with an eye toward upgrading

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U.S. FRANCHISED RESTAURANTS, 1984-86 SUMMARY

Item	1984	1985*	1986*	Percent Changes	
				1984-85	1985-86
Company-owned	22,951	24,580	26,664	7.1	8.5
Franchisee-owned	47,544	51,294	56,259	7.9	9.7
Total number of establishments:	70,495	75,874	82,923	7.6	9.3
Company-owned	16,393,552	18,204,720	20,318,289	11.0	11.6
Franchisee-owned	27,040,230	29,803,853	33,491,219	10.2	12.4
Total sales of products and services: ($000)	43,433,782	48,008,573	53,809,508	10.5	12.1
Merchandise (non-food) for resale	108,076	112,690	122,819	4.3	9.0
Supplies (such as paper goods, etc.)	190,276	204,606	219,259	7.5	7.2
Food ingredients	986,997	1,121,464	1,237,197	13.6	10.3
Other	48,680	51,022	59,546	4.8	16.7
Total sales of products and services by franchisors to franchisees: ($000)	1,334,029	1,489,782	1,638,821	11.7	10.0

*Data estimated by respondents for 1985 and 1986

> **The most franchised restaurants continue to be found in Texas, Ohio, Florida, and California.**

their physical appearance and making other changes, such as concentrating on the sale of ethnic foods. Some have designed their facilities around a theme that highlights a bygone era or a foreign or nonlocal setting. Others arrange seating so that diners can observe meals being prepared by their culinary staff.

Franchised restaurants, striving to maintain their strong market position, are increasing the number of their outlets by locating at bus terminals, colleges, hospitals, military bases, and other facilities. To maximize the use of facilities and raise sales, firms are introducing longer store hours, varied menus, salad bars, new products, and breakfast.

International operations of franchised restaurants continue to expand. In 1984, 67 restaurant franchisors operated 5,990 units in foreign countries, compared to 64 restaurant franchisors and 5,516 units, a year earlier. Canada accounted for the largest number of restaurants followed closely by Japan. Restaurants with major activity in hamburgers, frankfurters and roast beef accounted for the largest number of outlets followed by chicken and pizza. Another 30 franchisors of restaurants plan to extend their operations to foreign countries by the end of 1987.

Sales of franchised restaurants of all types reached almost $48 billion in 1985 up 11 percent over a year earlier; they are expected to jump about 12 percent, to $54 billion in 1986. Franchised restaurants numbered 70,495 in 1984, increased to 75,874 in 1985, and are expected to rise to almost 83,000 in 1986. The highest concentrations of franchised restaurants continue to be California, Texas, Ohio, and Florida.

Employment in the franchised restaurant sector was 2,182,143 in 1984, up from 1,954,646 a year earlier, a rise of 12 percent. Employment in the franchised restaurant industry accounts for 38 percent of employment in the franchised system as a whole and should continue to rise in the next few years.

Furthermore, franchised restaurant employees accounted for an estimated 42 percent of all persons employed in eating places in the U.S.

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U.S. FRANCHISED RESTAURANTS*
Number of Establishments by State: 1984

State	Total	Company-Owned	Franchisee-Owned
Alabama	1,178	332	846
Alaska	92	4	88
Arizona	1,026	368	658
Arkansas	682	120	562
California	7,146	2,325	4,821
Colorado	1,181	361	820
Connecticut	546	168	378
Delaware	140	55	85
District of Columbia	141	73	68
Florida	3,742	1,406	2,336
Georgia	2,121	955	1,166
Hawaii	220	72	148
Idaho	226	26	200
Illinois	3,057	1,040	2,017
Indiana	2,106	629	1,477
Iowa	1,106	193	913
Kansas	1,026	266	760
Kentucky	1,302	345	957
Louisiana	1,174	406	768
Maine	161	36	125
Maryland	889	367	522
Massachusetts	793	260	533
Michigan	2,648	866	1,782
Minnesota	1,333	366	967
Mississippi	799	95	704
Missouri	1,606	554	1,052
Montana	207	6	201
Nebraska	533	124	409
Nevada	308	149	159
New Hampshire	139	26	113
New Jersey	1,110	287	823
New Mexico	546	131	415
New York	2,231	571	1,660
North Carolina	1,884	398	1,486
North Dakota	148	10	138
Ohio	3,814	1,344	2,470
Oklahoma	1,387	597	790
Oregon	855	223	632
Pennsylvania	2,281	820	1,461
Rhode Island	119	31	88
South Carolina	964	273	691
South Dakota	208	23	185
Tennessee	1,551	544	1,007
Texas	5,854	2,322	3,532
Utah	397	88	309
Vermont	57	4	53
Virginia	1,565	556	1,009
Washington	1,033	353	680
West Virginia	489	163	326
Wisconsin	1,332	377	955
Wyoming	180	20	160
TOTAL	65,633	21,128	44,505

**Represents 93% of total establishments.*
The remaing 7% were unable to provide a geographic breakdown for this report.

TOP 30 FRANCHISE RESTAURANT SYSTEMS

1984-85 Systemwide Sales by Company and Franchise ($000,000)***

Franchise System	1985		1984		'84-'85 % Change
McDonald's	$11,000	(2,860c/8,140f)**	$10,000	(2,538c/7,469f)	10
Burger King*	$3,990	(639c/3,351f)	$3,420	(542c/2,878f)	17
Kentucky Fried Chicken	$3,100	(1,000c/2,100f)	$2,850	(880c/1,970f)	9
Wendy's	$2,700**	(1,045c/1,655f)	$2,420	(877c/1,543f)	12
Hardee's*	$2,200	(1,000c/1,200f)	$1,900	(900c/1,000f)	16
Pizza Hut	$2,100	(1,050c/1,050f)**	$1,700**	(850c/850f)	24
Dairy Queen*	$1,572	(2c/1,570f)**	$1,390	(2c/1,388f)**	13
Taco Bell	$1,140**	(582c/558f)**	$925**	(471c/454f)**	23
Big Boy*	$1,135**	(22c/1,113f)**	$1,000**	(27c/973f)**	14
Domino's Pizza*	$1,097**	(323c/774f)**	$626	(196c/430f)**	75
Arby's	$814	(99c/715f)**	$757	(100c/657f)**	8
Church's	$739**	(606c/133f)**	$634	(545c/89f)	17
Ponderosa*	$681	(500c/181f)	$585	(418c/167f)	16
Long John Silver's*	$637	(390c/247f)	$602	(367c/235f)-	6
Jack in the Box*	$612**	(539c/73f)**	$588**	(547c/41f)**	4
Dunkin' Donuts*	$577	(33c/544f)**	$532	(29c/503f)	8
Shoney's*	$576	(268c/308f)	$516	(242c/274f)	12
Roy Rogers	$507**	(348c/159f)**	$443**	(319c/124f)**	14
Sizzler*	$443	(147c/296f)	$384	(132c/252f)	15
Baskin-Robbins*	$423.5**	(.5c/423f)**	$388.5**	(.5c/388f)**	9
Bonanza*	$421	(3c/418f)	$401	(2c/399f)	5
Western Sizzlin'*	$420**	(4c/416f)**	$428**	(4c/424f)**	(2)
Popeyes*	$355**	(50c/305f)**	$304	(63c/241f)	17
Chi-Chi's*	$334	(193c/141f)	$273	(152c/121f)	22
Little Caesar's	$300	(78c/222f)**	$227	(60c/167)**	32
Sonic Drive-In*	$292	(22c/270f)	$283	(24c/259f)	3
Rax Restaurants*	$280	(105c/175f)	$216	(97c/119f)	29
Perkins*	$274	(94c/180f)	$281	(96c/185f)	(3)
Captain D's*	$270	(154c/116f)	$239	(133c/106)	13
Godfather's Pizza	$268	(52c/216f)**	$304	(80c/224f)**	(12)

1984-85 Systemwide Units by Company and Franchise***

Franchise System	1985		1984		'84-'85 % Change
McDonald's	8,901	(2,225c/6,676f)**	8,304	(2,053c/6,251f)	7
Burger King*	4,225	(635c/3,590f)	3,827	(549c/3,278f)	10
Kentucky Fried Chicken	6,396	(1,826c/4,570f)	6,175	(1,713c/4,462f)	4
Wendy's	3,459	(1,257c/2,202f)	2,992	(1,057c/1,935f)	16
Hardee's*	2,411	(870c/1,541f)	2,229	(825c/1,404f)	8
Pizza Hut	4,912	(2,224c/2,688f)	4,679	(2,021c/2,658f)**	5
Dairy Queen*	4,822	(6c/4,816f)	4,795	(6c/4,789f)	1
Taco Bell	2,173	(1,160c/1,013f)	1,833	(925c/908f)	19
Big Boy*	870	(160c/710f)	845	(209c/636f)	3
Domino's Pizza*	2,816	(802c/2,014f)	1,870	(579c/1,291f)	51
Arby's	1,545	(184c/1,361f)	1,373	(174c/1,199f)	13
Church's	1,647**	(1,355c/292f)**	1,497	(1,225c/272f)	10
Ponderosa*	641	(454c/187f)	667	(446c/221f)	(4)
Long John Silver's*	1,359	(825c/534f)	1,355	(812c/543f)	3
Jack in the Box*	822	(709c/113f)	788	(727c/61f)	4
Dunkin' Donuts*	1,447	(78c/1,369f)**	1,359	(73c/1,286f)	7
Shoney's*	488	(209c/279f)	433	(188c/245f)	13
Roy Rogers	540	(355c/185f)	474	(341c/133f)	14
Sizzler*	465	(138c/327f)	451	(139c/312f)	3
Baskin-Robbins*	3,305**	(4c/3,301f)**	3,205**	(4c/3,201f)**	3
Bonanza*	542	(3c/539f)	551	(3c/548f)	(2)
Western Sizzlin'*	500**	(5c/495f)**	510**	(5c/505f)**	(2)
Popeyes*	540	(69c/471f)**	437	(86c/351f)**	24
Chi-Chi's*	145	(67c/78f)	165	(69c/96f)	(12)
Little Caesar's	890	(220c/670f)	645	(172c/473f)	38
Sonic Drive-In*	970	(85c/885f)	968	(92c/876f)	2
Rax Restaurants*	443	(164c/279f)	346	(136c/210f)	28
Perkins*	319	(98c/221f)	312	(96c/216f)	2
Captain D's*	490	(275c/215f)	456	(255c/201f)	8
Godfather's Pizza	810	(157c/653f)	895	(237c/658f)	(9)

*Fiscal year-end results (remainder are calendar year-end results).

**Estimated by Restaurant Business or by the respective company.

***Includes international operations.

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Canada and Japan remain the top two markets for international expansion by U.S. firms.

During 1985, 11 franchisors with a total of 160 restaurants (128 franchise-owned) went out of business, while 18 franchisors with a total of 353 restaurants (251 franchisee-owned), decided to abandon franchising as a method of marketing.

There were 13 big franchisors with over 1,000 units each in 1984. Combined, they represented 53 percent of all restaurants in the franchise system, or 37,467 restaurants, of which 25,680 were franchisee-owned and 11,787 were company-owned. They also represented 60 percent of total franchised restaurant sales, i.e., $26 billion, of which $18 billion were franchisee-owned.

Convenience stores

Convenience food stores are an important factor in food retailing. Because of changing demographics and lifestyles, they have expanded rapidly, evolving into a large and sophisticated segment of food retailing. Many resemble scaled-down, modern supermarkets and offer on-premise food service facilities and self-service gasoline.

Currently, foodservice, i.e., restaurant style foods and beverages prepared in the store for consumption elsewhere, are becoming more important. Almost all convenience stores offer some type of food service, at least hot beverages and fresh pasteries. Many stores offer a wide variety of foodservice items: cold sandwiches, hot sandwiches, pizza, and fried chicken. Many stores have installed bulk soft drink (post-mix) dispensing apparatus because of higher profit margins compared with bottled beverages.

Despite intensified competition from supermarkets offering extended hours and Sunday shopping, sales moved up six percent to $10.9 billion in 1985. The number of franchised stores in 1985 was reported to be 15,314, up 2.4 percent. Further gains are expected in 1986—13 percent in sales, 5.3 percent in stores.

Other food retailing

The retailing of food by specialty food shops, ice cream stores, coffee services, donut shops, bakeries, cookie shops, candy stores, nut stores, and others, amounted to $9.1 billion in 1985, 8 percent over the previous year; sales in 1986 are expected to reach $9.9 billion. In 1986, the number of units is expected to rise to 20,153, a jump of 14 percent over the year before.

Two of the better known groups in this category are ice cream and yogurt stores and donut shops. The sales and number of establishments for these specialty stores for 1984-86 are listed in the charts on page 166 and page 168, respectively.

Hotels and motels

Occupancy rates in the lodging industry should be about 65 percent in 1985 with a stronger showing in 1986. Business travel generally accounts for more than 60 percent of the rooms occupied, with the balance split almost between pleasure and convention travel. Pleasure travel, although influenced by fluctuations in the economy, has grown steadily in recent years.

There is a trend among hotel chains to provide a variety of locations and hotel types to meet all levels rather than a specific segment. This diversification may take the form of luxury properties, an all-suite chain, a line of moderately-priced hotels and a budget chain. New rooms coming available are mostly in the budget hotels, airport hotels, and all-suite properties. Hotel, motel, and campground franchisors in 1985 represented 7,639 establishments, with receipts estimated at $14.3 billion. Receipts are expected to rise nine percent in 1986 over 1985, reaching almost $15.5 billion. Total receipts for the lodging industry are estimated at $42.1 billion in 1985 of which 34 percent is accounted for by franchised hotels/motels. ☐

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INTERNATIONAL RESTAURANT FRANCHISING
Location and Number of Units

	U.S. Firms	Total	Canada	Mexico	Caribbean	United Kingdom	West Europe	Australia	Japan	Other Asia	South America	Africa	New Zealand	Central America
Chicken	9	1,757	7	68	120	375	53	235	504	157	15	164	45	14
Hamburgers, Franks and Roast Beef	16	3,117	1,233	0	100	196	428	305	667	183	47	0	19	39
Pizza	14	539	100	31	48	3	33	134	63	74	0	8	24	21
Mexican	7	90	64	0	20	0	0	2	0	3	1	0	0	1
Seafood	3	11	6	0	0	0	0	0	0	5	0	0	0	0
Pancakes	2	12	3	0	0	0	0	0	8	1	0	0	0	0
Steak, Full Menu	14	461	178	20	2	2	0	4	248	9	0	0	0	0
Sandwich, Other	2	3	3	0	0	0	0	0	0	0	0	0	0	0
Total	67	5,990	1,591	119	290	576	514	681	1,490	433	63	172	88	75

*Includes company-owned, franchisee-owned and joint ventures
Source: U.S. Dept. of Commerce

John Naisbitt

The future of restaurant franchising

The future looks bright for restaurants, the granddaddy of franchising, despite fears of saturation.

What does the future hold for franchising? To answer this question, the International Franchise Association (IFA) commissioned the Naisbitt Group, under the direction of John Naisbitt, author of Megatrends *and* Reinventing the Corporation, *to conduct a comprehensive study that "would identify existing and emerging trends and their implications for the franchising industry." Following is an excerpt from* The Future of Franchising *addressing the restaurant industry and specific trends that will affect franchising.*

The outlook for restaurants, the granddaddy of the franchise industry, is healthy, despite fears that fast food chains have saturated the market. Projections are for franchised restaurants to post total sales of $49 billion in 1985, an average annual increase of 12 percent for five years since 1980. By 1990, franchised restaurants should generate more than $86 billion.

As in the past, most franchised restaurants are fast food operations. The story of McDonald's, forerunner of franchised fast food, illustrates the growth of the industry as a whole. Founded in 1955, the chain with the Golden Arches claimed 1,500 outlets by 1970. Fifteen years later, McDonald's has 8,500 units, 500 of them opened in 1984. In 1985, the chain reached a rate of opening one new unit every 12 hours.

Encouraged by the success of McDonald's and other fast food franchises, non-fast food restaurants ventured into franchising.

Still, some franchise experts warn of an impending shakeout and slowdown in the franchised restaurant industry. "Domestic saturation is becoming a problem and will soon be the new reality," warns Natalie Blacher, Burger King's manager of strategic services. As a result, companies will turn to international markets to sustain long-term growth, she says. But not everyone in the fast food industry agrees. Several franchisors countered the prediction with the late Ray Kroc's oft-quoted maxim: "Saturation is for sponges." He may have been right. According to a *Venture* magazine list of the fastest growing franchises based on unit growth, 23 of the top 100 are fast food operations.

Despite the optimistic outlook, the fast food franchise industry is changing. A general consumer trend toward healthier eating habits has caused restaurants to expand their menus. More fast food outlets feature healthy foods, such as salads, and generally "more palatable" menus. In addition, restaurateurs have expanded their hours to include service for all three meals. In particular, many fast food restaurants emphasize breakfast menus.

Fast foods not only are becoming healthier, they are more varied. Ethnic foods, particularly Mexican and Oriental, can be found at many fast food restaurants. "Burgers will still gain the lion's share, but ethnic foods are where it's at, so far as fast growth is concerned," observes Gilbert Simon, legal counsel for Wendy's. The trend is due to an increasing ethnic population as well as a consumer desire to try alternatives to the standard fast food fare.

A growing number of fast food companies have tuned into this trend. The list of franchised pizza outlets rose by 26 percent from 1983 to 1985. During the same period, chains offering Mexican food increased by 22 percent. By contrast, franchises selling traditional fast food, such as hamburger, increased by 12 percent. This trend is mirrored

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Is there an impending shakeout due to saturation? Or is, "Saturation for sponges?"

in total revenues. Revenues from pizza went up 31 percent, those for tacos climbed by 30 percent. Hamburger revenues rose by 26 percent.

Some experts believe that the popularity of ethnic fast food may be temporary. Ethnic foods are "an area worth paying attention to," but probably will not have the lasting success of more traditional fast foods, according to Blacher.

Franchised restaurants have adapted to changing consumer tastes. But they also must be prepared for demographic and societal shifts. In particular, fast food operators will be affected greatly by the projected dramatic decline in the teenage population. By the mid-1990s, there will be nine million fewer teenagers, but the number of preteen children will jump by five million. Since large numbers of teenagers are both employees and customers of franchised restaurants, the industry faces a two-fold dilemma. First, they must offer new incentives to keep the teenage workers they already have as well as attract new workers, such as retired people and housewives. Second, they must alter their menus to appeal more to "adult" tastes.

Franchisors cannot ignore another demographic trend—the elderly explosion. New marketing strategies are being used in an effort to attract older customers. Representatives from Tastee Donuts, Kentucky Fried Chicken, and Dairy Queen indicate that building renovation and upgrading are effective ways to deal with shifting consumer demand.

Hotels and motels

The lodging industry is changing rapidly, as independent hotel and motel owners become a thing of the past. Half of all American hotel rooms belong to a recognized, franchised chain. That share rises to 75 percent when seasonal inns and hotels with 25 rooms or less are eliminated from the count.

Hotels are not among the fastest-growing areas of franchising. Revenues grew an average of nine percent during the last five years. The franchised lodging industry reported 1985 sales of nearly $15 billion, and should top $22 billion in 1990. New growth can be attributed to an increase in pleasure travel that started in the 1970s and is expected to continue through 1990.

Specifically, family travel is on the rise. In light of this trend, economy-priced hotels and motels will grow more than any other type of lodging. Economy units, which are easy to finance, build, and operate, are the choice of new developers. However, business travel still accounts for 60 percent of hotel and motel business, so there is still room for growth in upscale accommodations.

Conversion franchising has also helped reshape the lodging industry. "Independents are falling by the wayside or joining chains," explains Brian O'Connor, franchising director for Marriott Corp. "Consumers are looking for value, the convenience of an 800 (toll-free) phone number and product continuity."

To keep up with these changes, lodging franchisors have altered their marketing techniques. Marketing has beome more sophisticated. For example, several of the major chains have adopted the so-called "hub and spoke" concept. First developed by airline companies, this concept is based on the premise that the same customer will purchase variations of a product for different situations. Thus, a hotel guest will select one facility for business travel

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GROWTH OF TOP TEN FORMAT FRANCHISE INDUSTRIES, 1985-1990

Business	Sales (in billions) 1985	Sales (in billions) 1990	Annual % Growth
Restaurants (All types)	$ 48.9	$ 86.1	12.0
Retailing (Nonfood)	18.8	33.6	12.3
Hotels, Motels, Campgrounds	14.6	22.5	9.0
Convenience Stores	12.3	19.4	9.5
Business Aids and Services	12.1	21.3	12.0
Automotive Products and Services	10.6	15.9	8.5
Retailing (Food other than convenience stores)	10.4	15.9	7.0
Rental Services (Auto, truck)	5.3	8.9	11.0
Construction and Home Services	3.7	92.5	20.0
Recreation, Entertainment, Travel	1.8	6.6	29.0
Total	$138.5	$238.1	11.5

Source: The Future of Franchising, The Naisbitt Group

Eventually, the word 'franchise' will lose its fast food connotation.

and another when travelling with his family. This idea has led to a multi-tiered approach in which one lodging chain—Quality Inns—operates luxury, midpriced, and economy hotels.

Convenience stores

Traditional convenience stores find themselves in a showdown with other food retailers. Convenience stores have met with competition from supermarkets offering extended hours and Sunday shopping. To fight back, convenience stores offer more products and services, including prepared take-out food and automatic banking.

William Schurber, an official with Convenient Food Mart, believes that "super convenience stores will start to squeeze out supermarkets."

The fast food industry is preparing for the confrontation. Burger King's Natalie Blacher says: "Convenience stores, such as 7-Eleven, are coming into competition with fast food chains. No longer are they simply places to get a loaf of bread, a cup of coffee, or a six-pack. Now you can get a take-out ham and cheese sandwich with no waiting or fuss. This poses a possible threat."

However, growth in convenience franchising has slowed gradually over the last 15 years. While annual growth was 25 percent during the 1970-1975 period, it slowed to 20 percent during the 1975-1980 period. The growth rate has stood at 11.5 percent since 1980. Meanwhile, sales and revenues for franchised convenience stores surpassed $12 billion in 1984 and should near $20 billion in 1990.

Specialty food retailers

The list of shops selling specialty foods, from flavored popcorn and designer chocolates to fresh-from-the-oven cookies, is growing steadily. Family ice cream stores and donut shops once dominated this area of retailing; now they are joined by shops offering exotic snack foods. Many industry experts believe that the success of specialty food franchises, whose sales amounted to $9.3 billion in 1984, is due to the consumer trend toward "boutique" shopping.

Much of the growth in specialty food franchising can be attributed to its small investment requirement. Specialty food operations will continue to attract franchisees because these businesses are "an easy entry level into the franchising business," says Stan Bresler, chairman and president of Bresler's 33 Flavors.

Opportunities in specialty food franchising will continue to mount. Total revenues increased at an average annual rate of more than 38 percent from 1975 to 1980. Although growth has slowed since then to seven percent annually, 1985 sales reached $10.4 billion. By 1990, sales should be near $15 billion.

Summary

By the year 2000, franchise sales will account for half of all retail sales. Almost any service imaginable will be franchised and many independent businesses will be absorbed by franchising. Much of franchising's success is due to new consumer attitudes about convenience and quality. And by tailoring products and services to the burgeoning seniors market, franchisors and franchisees will be ready for a major demographic shift.

Fast food restaurants and retail stores will remain the leaders in format franchising. Not only will franchised restaurants continue to prosper, but more sit-down, upscale restaurants will turn to franchising. Eventually, "franchise" will lose its fast food connotation.

However, by the year 2000, the franchised restaurant industry is likely to share top billing with a handful of new service-oriented businesses. Franchises offering business aids and services as well as construction and home services, including maid and lawn care franchises, show no signs of slowed growth. Recreation, entertainment, and travel franchises also will expand.

The overall picture for franchising is bright. Sales growth in format franchising has averaged 12 percent since 1972. Although franchising sales could top $2.5 trillion by the year 2010, it is more likely they will begin to plateau in the mid-term. Sales growth could slow as franchising becomes more prevalent in a wide range of business areas, thereby saturating some markets. Franchising growth then will begin to parallel general growth in the service economy. Most industry experts believe that sales by business-format franchises will reach $438 billion by 1995 and $705 billion by 2000.

Franchise outlets are the new mom and pop stores of America—and other countries. By 1990, there could be as many McDonald's restaurants internationally as there are in the U.S. Franchising's low-risk format appeals to minorities and women—potential entrepreneurs traditionally excluded from the business world. The phenomenal growth of franchising signals a need for increased education about the industry. Eventually, the study of franchise operations will occupy a larger part of business schools' curriculum. However, the industry's swift growth also is likely to result in efforts to enact stricter regulations over the industry. ☐

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Restaurant Business

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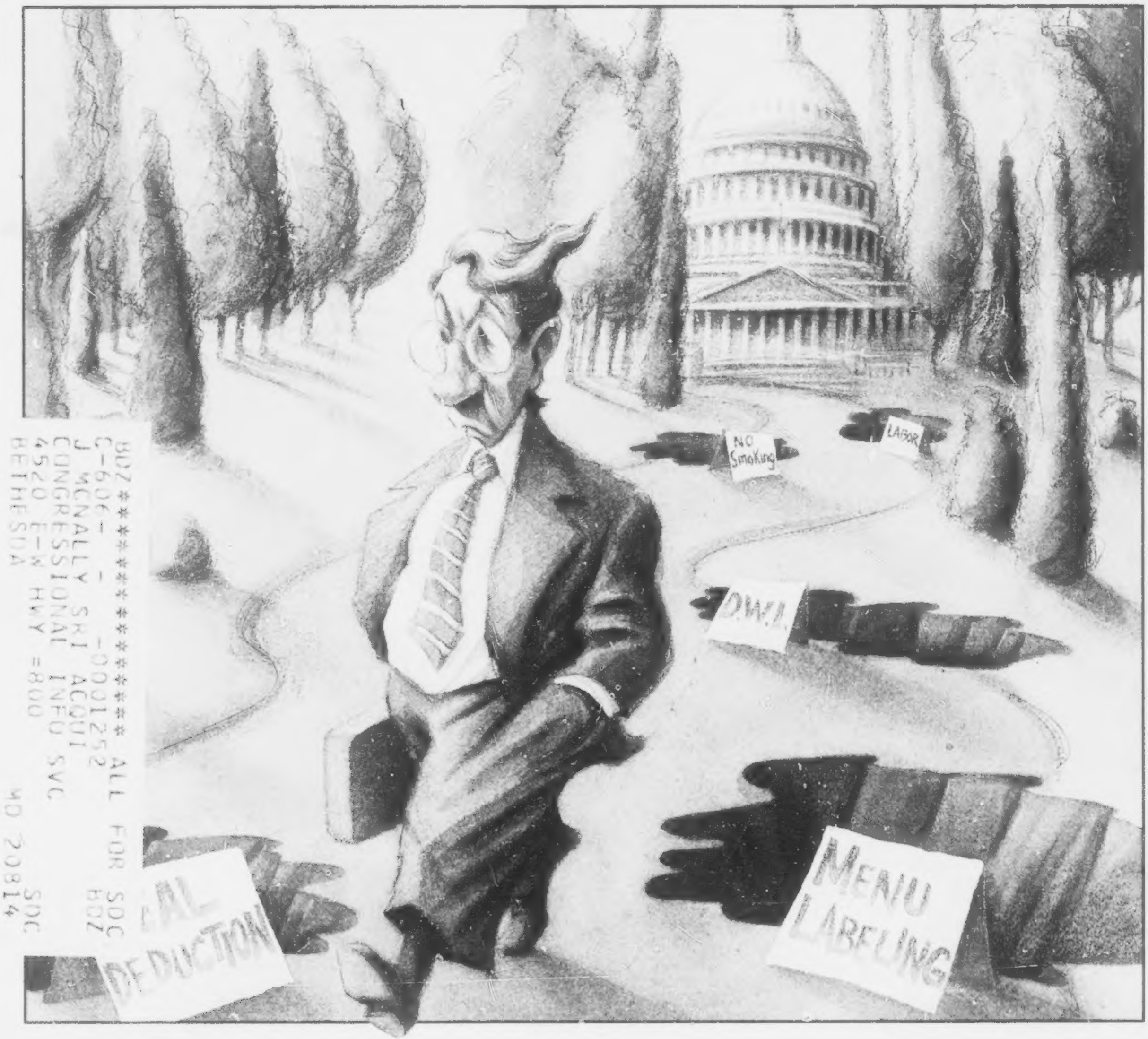
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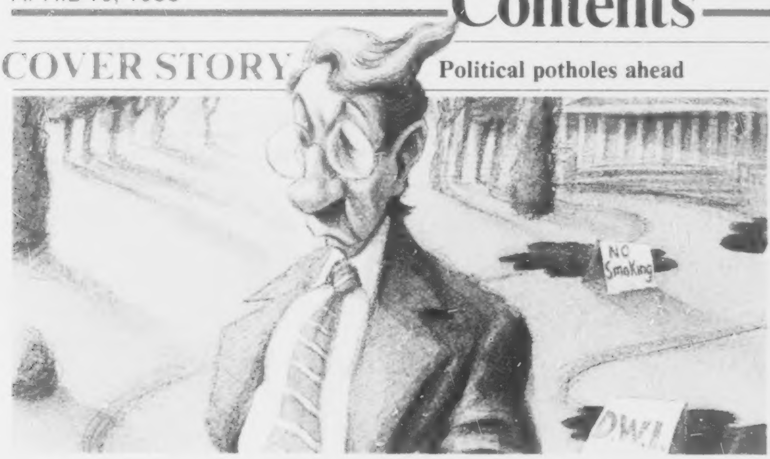

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Cover illustration by Brian Ajhar.

THE
BREAKFAST
SEGMENT

•

by Ralph Raffio

Breakfast is booming, creating challenges for the entire industry. Convenience stores and fast food chains are squeezing family restaurants for a.m. business, and hotels no longer take breakfast for granted.

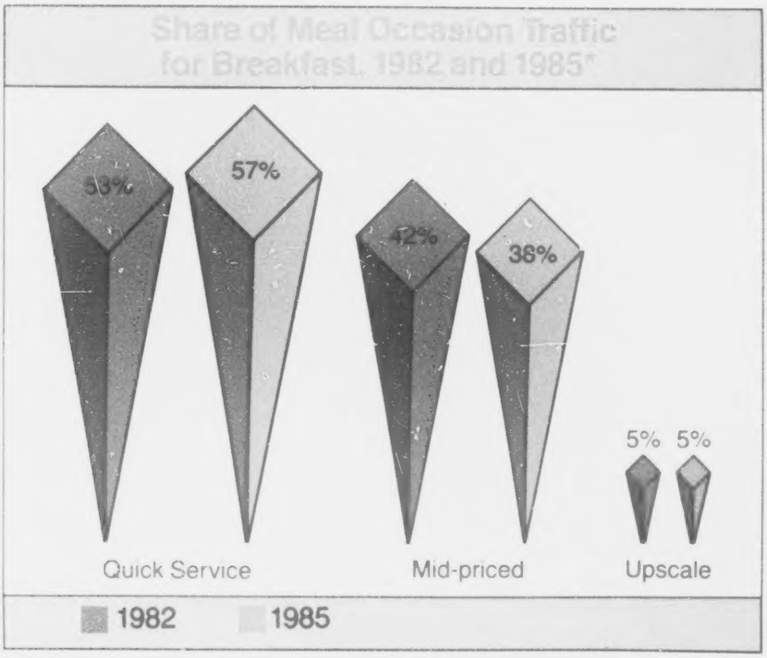
Breakfast is the fastest growing market, according to CREST, and it increased by 20 percent last year.

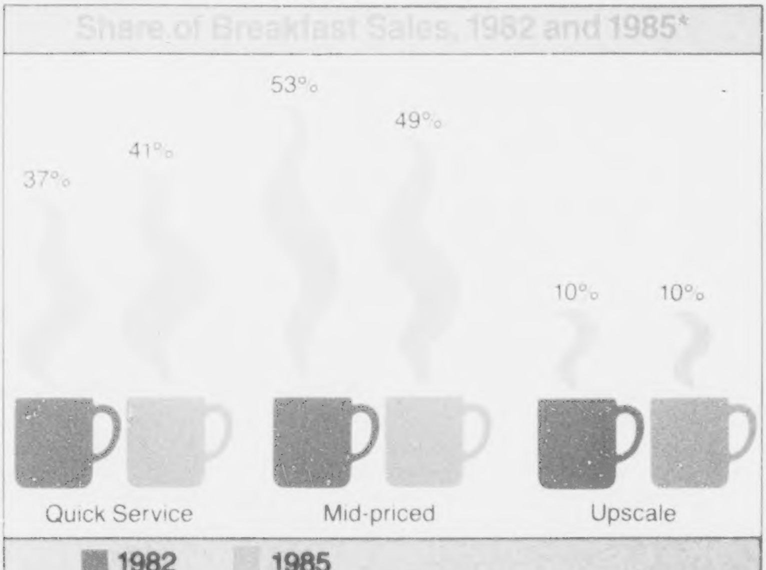
Breakfast has become a gruelingly competitive meal period. Although the morning meal pie has grown much larger in the past few years—both in dollars spent away from home and in the number of customers dining out—so has the number of operators competing for those sales. In most cases that's been good for operators, and for the industry. But not always.

The emergence of the fast food restaurant chains in the breakfast segment has offered both positive and negative effects. From the time Oak Brook, IL-based McDonald's Corp. rolled out the Egg McMuffin nearly 10 years ago, the away-from-home breakfast market has exploded beyond most expectations. A new customer was created by McDonald's then bold move, one who wants breakfast in a hurry—if at all. Opportunity knocked and the chains have been happy to oblige with quick-to-eat, hand-held breakfast items—finger foods suitable for consumption almost anywhere.

On the downside, the traditional breakfast outlet which never had to be very fast to be good has found itself confronted with having to compete with the marketing muscle of the chains. And, although there is scant numerical evidence that mid-price, family restaurants and coffee shops have been hurt by fast food's breakfast ascendence, many foodservice industry onlookers believe they have. Furthermore, recent developments in the mid-price sector—including bolstered dinner programs among many chains—support those beliefs.

"There's no question that the fast food chains have made it harder for the coffee shop chains to compete," says Charles Glovsky, senior securities analyst for Alex. Brown & Sons,





**1985 Computed December, 1984 to November, 1985.*

Source: The CREST Household Report

Fast food chains depend on finger foods and take-out for dominance.

Roy Rogers first tried breakfast with its crescent sandwich menu item.

Baltimore. "It's forced them (coffee shops) to focus more on other dayparts."

Mid-price chains like La Mirada, CA-based Denny's Inc. are indeed concentrating efforts on other meal periods. Though most are hard-pressed to link such moves to the fast food chains' breakfast push, one thing remains clear: The mid-price morning market isn't growing nearly as quickly as the fast food chains. Denny's, the largest mid-price chain, is a good example: Breakfast has accounted for 20 percent of total sales each year since 1980.

It's difficult to judge just how big a business breakfast has become, but some available figures definitely disclose a trend. Total eating place sales in 1985 were $111.5 billion, according to the National Restaurant Association (NRA). Of that, 6.7 percent went to breakfast, says Park Ridge, IL-based GDR/CREST Enterprises, a marketing and consulting firm. That means about $7.5 billion was spent on breakfast away from home last year, and that's just in eating place sales. Those figures do not include restaurants serving liquor, institutional foodservice, or employee cafeterias, many of which also serve breakfast.

According to CREST, the total breakfast market increased by 20 percent in 1985, compared to an eight percent total increase for the industry over 1984. In breakfast sales and traffic, fast food has shown solid gains in each of the past three years. Though mid-price restaurants still rally 49 percent of breakfast's total sales, that represents a decline from a 53 percent share in 1982. In the same time period, fast food has gone from 37 percent to 41 percent of total breakfast sales.

Traffic during the morning meal period showed similar results. Fast food went from a 53 percent to a 57 percent share of breakfast traffic, while mid-price declined from 42 percent to 38 percent.

All of which is to say that while fast food has created new customers, there are still different factions coexisting under the breakfast umbrella. Fast food caters to one, mid-price to another, and hotels and other restaurants to yet another. And that same customer seeks different choices at various times of the week. "What the customer looks for during the week is different from what he looks for on weekends," says Miami-based Burger King Corp.'s vice president menu development, Jack Winkler. "The bulk of our breakfast business is done during the week, and platter consumption increases on the weekend."

Fast food restaurants depend heavily on hand-held, easily portable items and take-out sales, while most other types of restaurants provide a different kind of experience and value.

"Realistically, if someone wants to go to a drive-thru, they're not going to come to us," says Roger Williams, vice president of marketing for Colombus, OH-based Bob Evans Farms Inc. "But if I'm going to meet someone for breakfast, I'm going to either meet them in a hotel or a restaurant like ours."

Like other family restaurants, Bob Evans sells a lot of breakfast items. But it also has moved aggressively toward dinner business. "As a percent of sales, we've been trying to reduce the dependence on breakfast," explains Williams. Dinner now accounts for 43 percent of the chain's total sales, which is "substantially up" over previous years, according to Williams. Though the chain's breakfast program remained unaltered last year, selective advertising of weekday specials was stressed.

To family restaurants like Bob Evans, breakfast is old hat. But that's not the case at all with most fast food chains. As a meal period, breakfast is still new to most of them, with the exception of McDonald's.

Though the company will not divulge sales figures, industry watchers place McDonald's breakfast program at accounting for just under 20

The Croisan'wich is Burger King's morning mainstay.

Circle K competes heavily in the daypart with breakfast sandwiches.

percent of the chain's total sales. With average unit volumes at about $1.3 million annually, that means breakfast accounts for just under $250,000 in sales per restaurant before 11. a.m.

McDonald's refutes industry reports that it will roll out its sausage biscuit program this spring. The company is expected to do so after successful widespread testing of the product in 1985. McDonald's onlookers say the sausage biscuit will effectively replace its Sausage McMuffin, which will then only be available with sausage and egg. McDonald's denies those reports, however.

Anticipating the sausage biscuit rollout, New York-based Prudential-Bache Securities Inc.'s senior restaurant analyst Michael Culp says the chain will heavily support the move. "We'll see McDonald's push harder in the spring," claims Culp. "They will market it aggressively."

Having taken an early lead in fast food breakfast, McDonald's program is by far the most successful. Though that hasn't stopped others from moving ahead with their own campaigns, it has made it more difficult for those just getting in. The overall fast food market is so fiercely competitive that one can hardly avoid adding a program consumers have widely demonstrated they want. Most chains have recognized that neglecting breakfast could give the competition an edge, even during lunch and dinner.

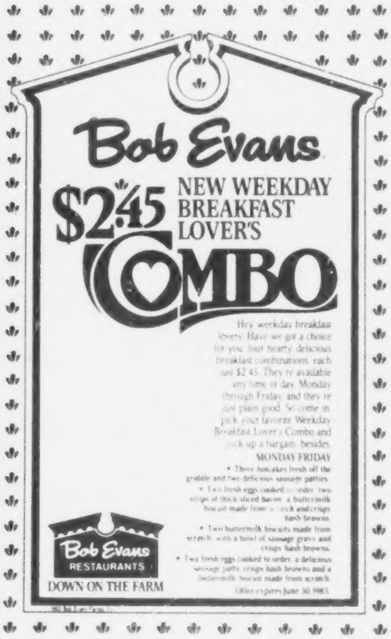
"Operators who do not go into breakfast will clearly be at a disadvantage," according to Glovsky of Alex. Brown. "Fast food operators cannot afford to have their customers go into somebody else's restaurant because they aren't offering a program of their own," he continues.

Fast food chains are feeling heat at breakfast from the convenience segment.

Late entries into breakfast have another problem, though. Gearing up for a rollout now is extremely costly, and has a good chance of hurting earnings—at least in the short term. "The marginal profitability of the next competitor entering breakfast is much less than that of the one who got in before him," says Glovsky.

Clearly that was the case when Wendy's rolled out its breakfast program last summer. The last of the "Big Three" to roll out breakfast, Wendy's results have so far been disappointing. Breakfast has been a drain on earnings, and sales before 11 a.m. just haven't rallied.

Wendy's dilemma is a crucial one for the company. Though it will report record sales and earnings again this year, the figures will be lower than previously expected. Industry observers say the chain's tardy entry in the breakfast market has been a factor, and some add that the program wasn't up to snuff. Wendy's breakfast is built around made-to-order omelettes and French toast, and had been tested for almost five years before rollout. The chain has been criticized for being characteristically adventurous to the point of displaying poor judgment in its final menu selection, and for not living up to operational standards, particularly regarding serving time. Says one



Bob Evans

$2.45 NEW WEEKDAY BREAKFAST LOVER'S COMBO

Hey weekday breakfast lovers! Have we got a choice for you: four hearty, delicious breakfast combinations, each just $2.45. They're available any time of day Monday through Friday, and they're just plain good. So come in, pick your favorite Weekday Breakfast Lover's Combo and pick up a bargain, besides.

MONDAY-FRIDAY

- Three hotcakes fresh off the griddle and two delicious sausage patties.
- Two fresh eggs cooked to order, two strips of thick sliced bacon, a buttermilk biscuit made from scratch and crispy hash browns.
- Two buttermilk biscuits made from scratch, with a bowl of sausage gravy and crispy hash browns.
- Two fresh eggs cooked to order, a delicious sausage patty, crispy hash browns and a buttermilk biscuit made from scratch.

Offer expires June 30 1985.

Bob Evans RESTAURANTS

DOWN ON THE FARM

Although Bob Evans' breakfast sales are healthy, the company is trying harder to promote itself.

industry expert: "Wendy's problem is that it isn't offering a fast food breakfast."

Wendy's vice president for corporate communications, Denny Lynch, sees it differently. The company expected breakfast to affect earnings negatively at the outset, he says. It also didn't expect the daypart to be an instant success.

"We were figuring on a year, maybe longer, for the program to take off," says Lynch. "We knew that short-term, breakfast wouldn't be a large money-maker, but that long-term it's the place to be."

Wendy's, like other fast food chains, is committed to making breakfast a profitable daypart, and industry onlookers believe it eventually will. However, in order to do that, most believe the chain must change its program.

Some speculate that Wendy's must abandon its omelettes and French toast and steer toward handheld items like its competitors. Wendy's has a breakfast sandwich on the menu already—egg on whole wheat toast—though it hasn't initially been considered central to the program. Lynch says it is too early to say what Wendy's strategy will be in the long term, but does reveal that sandwiches and omelettes are best sellers. He says the company is now actively looking at menu alterations, but stops short of speaking negatively of existing items.

Cannibalization of other dayparts may also be a problem for Wendy's, but that's not unusual under the circumstances. "Whenever you introduce a new item there's some cannibalization, especially when it's a new daypart," says Glovsky. "But it doesn't appear that the degree of cannibalization at Burger King and McDonald's was as great as with Wendy's."

Burger King didn't roll out its breakfast program much before Wendy's, but it has met greater success. Burger King's Winkler says breakfast sales for the chain go as high as 14 percent of total sales, though analysts estimate a 10 percent mix systemwide is more representative, or about $100,000 in sales per unit annually.

The number two burger chain is looking to expand its menu, though. While the Croissan'wich remains

Many family restaurants are trying to reduce dependence on breakfast by pushing dinner.

the mainstay of Burger King's breakfast program, ongoing testing of new products stresses finger foods.

New products, including "Egglets," "French Toasters," and a meatless Croissan'wich are now being offered in five test markets.

Egglets come in three varieties: cheese, egg and ham sticks; cheese, egg and sausage sticks; and Western sticks. They come five pieces to a box and sell for 99 cents. French Toasters come four to a box, include syrup for dipping, and also sell for 99 cents.

The new items were designed for "ease of eating, and eating on the go," says Winkler, and are being "heavily supported" by advertising in test markets. "Our research strongly suggested the need for portability," Winkler adds, referring to the chain's decision to attempt finger food-type breakfast items.

Every foodservice operator must reckon with the fact that together McDonald's, Burger King and Wendy's will spend about $750 million on advertising this year. That's hard enough for other chains to deal with, but when trying to pull together a whole new daypart the huge chains' marketing muscle is staggering.

"Those sort of expenditures easily give the big guys an edge," admits Thomas Y. Whitley, vice president, marketing, for Atlanta-based Arby's Inc. "The question is, with the rapid addition of the giants, will there be enough growth in occasion to absorb all those new restaurants in the mix? In the short-term, probably not, but in the long-term it probably will."

Whitley projects a short-term shakeout of smaller chains and regionals, "those who don't have a commitment to the strategy."

Arby's began serving breakfast two years ago, at one point moving its sales mix to around nine percent the first year. But sales started to slide the second year. "That was a marketing-related problem," Whitley explains. "We've got a moderate share of voice compared to the giants."

Arby's doesn't plan to have a national breakfast program, but does expect to achieve a 10 percent sales mix from breakfast. Currently, the morning meal period accounts for under six percent of sales, with only about 900 of the chain's 1,545 restaurants offering breakfast. Units with breakfast will increase gradually, but they'll be mostly new restaurants. "We've located our restaurants over the years on the 'going home' side of the road, and we're not in many urban locations," says Whitley. "That's not convenient for morning sales."

Arby's, which also features a croissant in its program, extended its breakfast last year to include "French Toastix," a finger food item; a cinammon danish; and breakfast platters with eggs, muffin, and potato. These products have slightly higher profit margins than Arby's croissant sandwiches, and lower food costs. The new items were introduced last spring, and have achieved a 40 percent breakfast mix, says Whitley.

Another chain whose marketing clout is left wanting in the face of the giants is Bethesda, MD-based Marriott Corp.'s Roy Rogers Restaurants. "The breakfast market has to be supported by advertising, and we haven't been supporting ours as steadily as some others may have," says Roy Rogers spokesman Mary Maguire. Marriott does not plan a marketing push for the chain's breakfast program. Instead, the chain's signature products of roast beef, hamburgers and chicken will get the support.

Only 180 of Roy Rogers' 550 restaurants offer breakfast since the chain discontinued its breakfast bar test in December. To replace the all-you-can-eat breakfast buffet, the "Hearty Platter" was introduced last year. A platter of scrambled eggs, hash browns, biscuits, and breakfast meats, the item acts as an alternative to Roy Rogers' crescent sandwich.

As if competition for breakfast's on-the-go customer wasn't hot enough, convenience stores also want in. Coffee and donuts have always been respectable drawing cards

Although most fast food execs realize the need for breakfast, the entry price can be high.

Many operators are finding that variety and quality are important breakfast attributes.

for the more than 60,000 convenience stores around the country, but that market is about to take an interesting turn.

"Fast food has been on the bottom end pushing the middle, but now they're getting pushed by convenience stores," says Denny's David Bixler.

Recently, Denny's Winchell's Donuts division announced an agreement with the Atlantic Richfield Co. (ARCO) of Los Angeles to sell its donuts in 150 of the company's AM/PM markets, and Winchell's hopes to gain access to an additional 100 stores down the road.

Though convenience stores have historically kept a narrow focus on food, that's changed over the years as more of them have added fast food items like fried chicken to their stores. Now some are looking at breakfast anew.

Phoenix-based Circle K Corp. has decided to broaden its breakfast items with an eye toward competing with fast food. The 3,350-unit chain recently added two new breakfast sandwiches priced at $1.39. According to Steve Schwitalla, senior vice president of the foodservice division of Circle K, the new sandwiches are the best selling food items ever introduced. "That may not be significant if you're McDonald's, but for us it's important," says Schwitalla. "We're tapping into the daypart in a big way."

About $125 million, or about 10 percent of Circle K's total sales volume, is generated by fast food, but only 2.5 percent of that is breakfast items. That's hardly cause for concern among most fast food chains, but if the industry decides to commit to further penetration of the breakfast market things could easily change.

"Breakfast is a location-driven segment," says Arby's Whitley. "Convenience stores have done quite well at breakfast for years. I think you'll see them doing even more."

One industry segment that's been through it all, however, is hotel foodservice. And that has changed markedly as the importance of the morning meal has grown.

"Hotels in the past have taken the customer for granted where breakfast is concerned," says Karl Kilburg, vice president, food and beverage, Marriott Hotels. They've done that, he says, "by pricing too aggressively with the attitude that they've got a captive audience."

Kilburg says that's no longer the case with the fast food chains entering the market, and that the key now is to provide breakfast speedily and give the customer a good value. All-you-can-eat buffets have been hotels' answer to both these concerns; all Marriott hotels offer buffets on weekdays. "Buffets are a good value, and give give hotels a competitive edge," says Kilburg.

Kilburg adds that pricing will be a key factor among hotels, especially now that competition for breakfast business is tougher. "I don't think the industry will take breakfast price increases for a long time," he says. "Perhaps we'll even see slight decreases."

Upscale breakfast menus are gaining, however. At Hilton International Co.'s Vista Hotel in New York, "power breakfast" is stressed in a big way. Referring to morning business meetings over breakfast, the power breakfast has become an alternative to lunch meetings and an addition to those on a tight schedule.

New York's Vista also offers a breakfast buffet, although to meet its customers' demands for lighter foods, buffets offer juices, fresh fruits, and cereals instead of eggs and meats. For executives who are really in a hurry, Vista even offers a buffet in the lobby. It's easily acces-

About 80 percent of Le Peep's sales are generated by breakfast.

'Power breakfast' is emphasized at NYC's Vista Hotel.

Hotels have been working with buffets to take advantage of built-in demand at breakfast.

sible from the street, but mostly it's quick.

In the newly renovated Beverly Pavillion Hotel in Beverly Hills, CA, chef Patrick Healy targets the business client in a big way. The hotel restaurant, Colette, is formal in appearance and high-brow in its menu. Healy serves unusual items like "Painter's Palette," intended to lure patrons for breakfast. The giant-sized pancake is prepared with several sections cut out which are then filled with various fruit fillings, and sold for $4.75. "Poached Eggs Pavillion" features artichoke hearts with Canadian bacon. Served with a parsley hollandaise sauce, the item sells for $6.75. Healy's signature breakfast item, a homemade almond muffin, gets favorable reviews—and garners big profits—priced at $2.

Hotels aren't the only ones to target the business client. In San Francisco's financial district, Spectrum Foods Inc. recently added breakfast at its MacArthur Park restaurant. Known for its oakwood-smoked baby back ribs, MacArthur Park may seem like an unlikely spot for breakfast but Spectrum doesn't think so, especially for this location. Breakfast items include black walnut waffles, warm fruit compote, and red flannel hash, among others. Also offered are meats smoked on-premise, freshly baked breads, freshly squeezed juices, and real maple syrup.

There are still other opportunities in the morning meal period, witnessed by Denver-based Le Peep International's bold attempt at operating restaurants only between the hours of 6:30 a.m. and 2 p.m. Eighty percent of Le Peep's sales are through breakfast items, with 40 to 50 percent of business brought in on the weekends, Bernstein says. The menu includes some 40 egg, pancake and sandwich items including Awesome omelets ranging in price from $4 to $5.50; Pampered eggs from $4.50 to $4.95; and frittatas from $5.25 to $5.75. The average check runs $5.50, Bernstein says.

"Breakfast doesn't have to be humdrum and boring," says Le Peep founder, Allen J. Bernstein. "It can be sexy." Two-year-old, 14-unit Le Peep boasts unit volumes averaging $700,000.

Bernstein says his concept doesn't necessarily compete with other restaurants serving breakfast. "Pulling business away from somebody else is what Burger King and McDonald's do," he explains.

"There's not a lot of creation of new customers in the breakfast segment," says Bernstein, who claims that Le Peep has addressed a "sublimated demand." "Before we created this, where could a person go in this country for an upscale meal before noon?," Bernstein asks. A hypothetical question, but his words may be prophetic: If breakfast continues to grow, there are likely to be a lot more places to do that in the future. ☐

Restaurant Business

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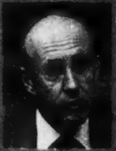
4TH ANNUAL LEADERSHIP AWARDS

J. W. "Bill" Marriott, Jr., president and chief executive officer, The Marriott Corporation.

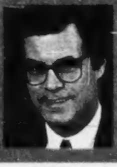
Steve Poses, founder and president of Shooting Stars, Inc.

Jim L. Peterson, president and chief executive officer of Whataburger, Inc.



Arthur Gunther, president of Pizza Hut, Inc.

Harry and Marilyn Lewis, founders, Hamburger Hamlets, Inc.



Lance McFaddin, founder, McFaddin Ventures, Inc.

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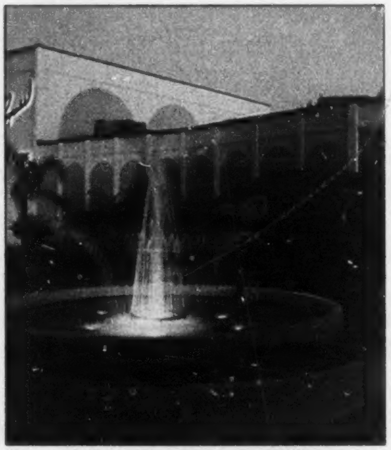

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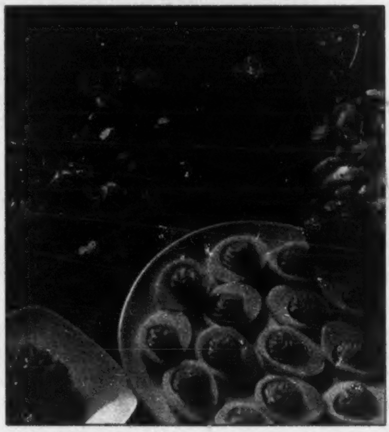

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GOURMET BURGERS:

What went wrong?

Once thought of as the next wave by marketers, the gourmet burger segment has proven to be a tough market—too tough for most players.

Has the gourmet burger boom gone bust? Two years ago, it seemed like *everybody* wanted in. Fuddruckers and Chili's were being emulated in markets all over the country. A number of larger companies were adding upscale hamburger operations to their portfolios, such as Saga with Spoons and S&A Restaurant Corp. with its JJ. Muggs. Others were developing prototypes for the conversion of underperforming dinner houses: Victoria Station converted six of its boxcar restaurants to a concept called Bonkers Burger Grill & Bar.

Indeed, "gourmet burgers" was the industry buzz-word. The trouble was, though, that no one seemed to be quite sure whether the market consisted of baby boomers trading up from fast food or jaded yuppies trading down from dinner houses. And the rapid proliferation of competitors may have killed the goose that laid the golden egg.

Now, everybody is getting *out*, and those players that aren't actually selling out, closing down, or re-converting say that they're not even in the so-called "gourmet burger" segment anymore, preferring a "mid-price casual dining" designation to reflect broadened menus and upgraded services.

And, although the field is still crowded, the attrition rate has been high. What's left of the gourmet hamburger segment is clearly not the market niche opportunity that the profit seekers thought it was just two short years ago.

The fallout—which still continues—has been considerable. S&A Restaurant Corp., Dallas, is evaluating its JJ. Muggs units for disposal or conversion to other concepts. New York City-based Lifestyle Restaurants Inc., successor to Beefsteak Charlie's, experimented with the Daly's Dandelion and Tallulah's American Cafe concepts as conversions, only to convert them back to Beefsteak Charlie's last year. Saga Corp., headquartered in Menlo Park, CA, will close three of its Spoons if sales can't be coaxed up. Four of the six Bonkers have been closed. Flakey Jake's Restaurants Inc., Bellevue, WA, has been struggling with credit problems. Chili's Inc., of Dallas, says it no longer wants to be associated with "gourmet burgers." Only Fuddruckers claims to be in the segment, and it is lonely there indeed.

Kyle Craig, president and chief executive officer of $750 million S&A Restaurant Corp., a division of Pillsbury Co., Minneapolis, thinks that the market niche was overstated from the beginning. "We tend to look upon niches as the solution to everything; find a niche and your problems will be solved," he says. "Unfortunately, the gourmet hamburger niche has not been

by Joan Lang

the savior that many of us had hoped."

The marketers, according to Craig, all saw a terrific opening. The only trouble was, the perceived demand was greater than the actual customer interest.

Instead of being an alternative, the segment gets the squeeze from the top by the dinner houses offering hamburgers, and from the bottom by the fast food hamburger restaurants.

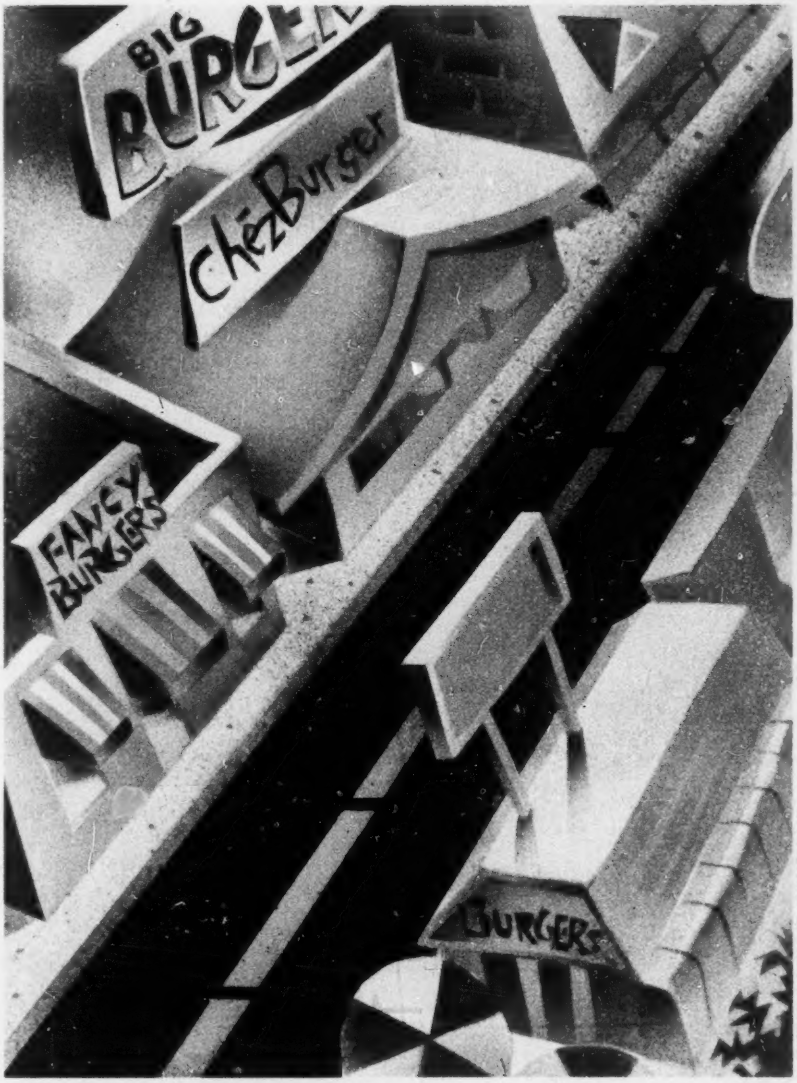
Adds Charles Glovsky, senior securities analyst for Alex. Brown & Sons: "The segment is just not that large. Everyone thought it was going to be the 'next wave' niche. But, the truth is, the target audience hasn't tired of fast food burgers and they're not about to spend $5 or $6 for a limited-menu, limited-ambience experience."

The situation was exacerbated, says Glovsky, by the sheer rapidity with which competitors and knockoffs appeared on the scene, preventing companies with a head start—such as Chili's and Fuddruckers—from expanding as originally planned.

"The gourmet burger niche?" asks Ron McDougall, executive vice president of Dallas-based Chili's Inc. "We're not in it." The changes that the Chili's concept has undergone since Norm Brinker left his position as president of Pillsbury's Restaurant Group to become chairman and CEO of the then 23-unit Chili's chain in mid-1983 have been so fundamental, says McDougall, that it now qualifies as a "limited menu, casual, adult, table service" restaurant.

Chili's menu—which started with scarcely more than large hamburgers, fries, beer, and margaritas—has been continually broadened to include appetizers, Tex-Mex items, salads, and other new additions. As a result, table turnover is down but average checks are up (about $1, to $7), and Chili's is managing to compete more broadly. Burgers now account for just 18 percent of sales, down from 65 to 70 percent three years ago.

So far, the strategy appears to be working. The company's 57 units (there are also 12 franchised restaurants) generate average sales of about $2 million, above the $1.2 to $1.5 million average for the segment, and competitors and analysts alike point to Chili's as a prime example of adaptive survival. Though growth projections have slowed from earlier expectations, Chili's is using a market-cluster expansion approach that will put 20 new company units and at least eight more franchised units on the map by fiscal 1986 year-end in June. In addition, Chili's has debuted Flyer's Island Express, a drive-thru-only, limited menu concept which requires a much lower start-up commitment.



ILLUSTRATIONS BY ANTHONY SCHIANO

CAN THEY CHANGE QUICKLY? Many other companies have attempted Chili's ready-to-change stance, but have met with only mixed success. Flakey Jake's has undergone a number of transitions, not the least of which was a management shakeup that left Pizza Hut founder Frank Carney as chairman and Wallace Doolin, formerly with Steak & Ale, as president. The management team has been completely revamped under Doolin, and the Flakey Jake's concept, which now numbers 45 units (14 of them company-owned), is being refined. The company's loan agreement is being restructured, and an offering of new convertible preferred shares is planned to raise capital.

Company expansion has been halted while Flakey's reduces its debt, and Doolin hopes that renewed company growth can commence in 1987. The thrust of refinements, reveals Doolin, has been to offer the customer a better overall experience, in keeping with a check average which hovers around $5.

The company is still not profitable, having reported an $8.5 million loss from operations in its 1985 first quarter, which includes $5.5 million on the closing of five underperforming stores in California and Washington state.

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GOURMET BURGERS *from page 121* Systemwide unit volumes average $1.4 million. Management hopes that the company will begin turning a profit in 1987.

"I think all of us in the segment were fooled by the high opening volumes that we were seeing initially," says Doolin. "We've all had to learn a few lessons." But it has been a costly lesson to learn: the stock price has tumbled from a high of about $9 last year to under $3 as of late March.

Some chains think they have found an answer: change quickly.

1.
Le Platter du Burger
2.
Le Burger Platter

Roger Lipton, managing director of Lipton Research, suggests that overenthusiasm to expand has clearly been at the root of the segment's troubles. "They didn't have the people in place, and their ideas were not mature enough to support such an aggressive posture," he believes. It was a matter of too much, too soon.

MARKETING EMPHASIS. One of the lessons that has been learned is that market penetration and advertising is a necessity, but companies that hopscotched around the country have found it hard to compete with established, locally entrenched chains. With only one or two units in a marketing area, television—and even print advertising in some markets—is just too expensive.

At least one chain, Dallas-based Pizza Inn Inc. has avoided this pitfall. Pizza Inn has enjoyed decent success with its J.T. McCord's concept, which brings in average volumes approaching $2 million, because it has been able to begin advertising all nine of its units in their Dallas-centered base.

Still, McCord's has not been unchallenged. Pizza Inn's research revealed familiar results. "We weren't so successful as a 'gourmet hamburger' restaurant," reveals William E. Eskew, vice president of marketing for the company. "The consumer liked our concept, but there wasn't enough variety." Menu changes were made, and now appetizers are McCord's best-sellers, followed by Tex-Mex items and only then by hamburgers. Now, Pizza Inn has scaled back its expansion plans, but has begun franchising; it expects that most of its growth in the near future will occur through franchise development.

W.R. Grace & Co., New York, has also had better than average success with its midscale Applebee's Neighborhood Grill & Bar (formerly T.J. Applebee's) concept, although the chain also rejects the "gourmet burger" moniker. Says Lou Neeb, president and CEO of Grace's Taco Villa/Creative Food 'N Fun division: "Applebee's has always had a much broader and more flexible menu than the 'gourmet burger' places, and that's helped us. Burgers accounted for only 25 percent of sales when the concept was acquired in 1983 and ring up about 22 percent today." Average check is $6, and average unit volumes top $1.3 million, a number Grace appears—for the moment at least—to be satisfied with.

Long-term expansion goals are more prudent than initially anticipated. Less than three years ago, the company announced a goal of over 200 units in five years; now, plans call for a more orderly 20 percent annual growth. With 12 franchised units open to date, further franchising will be pursued, says Neeb, on a "low-key basis."

ROI NIGHTMARES. The almost universal complaint of the segment has been lower-than-anticipated return on investment. For this reason, many companies which added gourmet burger concepts to their portfolios have opted out, leaving the independents and smaller chains to the struggle. Church's Fried Chicken Inc., based in San Antonio, jettisoned all of its 70-odd G.W. Jr.'s and "jeeper's!" gourmet burger units, willingly taking a loss in the fourth quarter of 1985 to get out of the burger business. Sales volumes had been declining steadily, and the company made the decision two years ago to phase out G.W. Jr.'s, converting some to the lower-ticket "jeeper's!" concept, but that strategy offered no solution either.

Admits Richard F. Sherman, president and chief operating officer of Church's: "Every time we added a dollar in the hamburger business we got back $79, but when we invested a dollar in the chicken business, we got back $1,500. Where would you put your dollar?"

Saga Corp. had very high hopes for the gourmet burger segment, purchasing the then five-unit Spoons from its founder for $3 million. But it has not been clear sailing. "First of all, Spoons is not 'gourmet burgers' anymore—it's casual dining," insists Gene Elsbree, vice president, corporate communications and investor relations for Saga. "That's the direction that the whole segment has been taking."

Though burgers still account for a

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GOURMET BURGERS *from p. 122* majority of the menu mix, says Elsbree, Spoons also offers Mexican specialty items, ribs, and a line of hickory-smoked chicken products. Currently, there are 15 Spoons in operation, but the company has been disappointed with the performance of its three Midwestern units and will close them if attempts to improve profitability go unrewarded. While Elsbree says that "We're not ready to give up on Spoons," he admits that the chain is falling short of Saga's high return requirements.

Average unit volumes of $1.4 million for Spoons have not met of targeted levels, reveals Elsbree, primarily due to the Midwestern units, and the company is not satisfied with the concept's performance overall. "Saga's revenue requirements are quite high—our objective has been to increase revenues by at least 15 percent annually," says Elsbree, "and Spoons just does not offer the return of other concepts."

Greyhound Food Management Inc., based in Phoenix, *is* through with its experiment with gourmet hamburgers, having put its single T. Twiggs on the block. Despite the concept's relatively broad menu, T. Twiggs did not meet management's performance expectations.

Pillsbury, which inherited Moxie's with its acquisition of Diversifoods, is also getting out of the business. The concept hit a peak of eight units in early

GOURMET BURGERS: THEN AND NOW

	Mid-summer 1984		Mid-winter 1986	
Concept	Number of Units	Growth Outlook	Number of Units	Growth Outlook
Bonkers Grill & Bar—Fifties decor and display areas highlight Victoria Station's conversion vehicle.	1	Company plans to convert underperforming Victoria Stations—up to 15 units possibly within next year.	2	A total of six boxcar restaurants were converted; four have since been closed as part of a major store disposition program.
Chili's—Much-copied public company headed by former Pillsbury Restaurant Group chief Norm Brinker. Has broadened Mexican-influenced menu well beyond burgers.	32	Expansion at 50 percent rate per year.	69	A total of 28 to 30 units will be added by 1987, while the menu has broadened still further. Company is now concentrating on a market-clustering expansion strategy. Has added second concept, Flyer's.
Daly's Dandelion—Lower-check average conversion vehicle for NY-based Beefsteak Charlie's serving burgers, pasta, salad, and sundaes.	1	Two more conversions scheduled and three more possible.	0	Both stores have been converted back to Beefsteak Charlie's, as have all 7 Tallulah's American Cafe casual dining restaurants.
Flakey Jake's—Broad menu and turn-of-the-century decor highlight this make-your-own concept.	10	Over 200 franchised units and 75 company units in next four years.	45	Will build no new company units until debt is paid down; meanwhile, various concept changes are under consideration.
Fuddruckers—Much-copied concept featuring display butcher shop and bakery plus fresh product display. Limited menu emphasizes condiment bar.	22	65 to 75 units by end of 1985.	104	Company has lowered prices and broadened menu to encourage repeat business; plans to open about 25 company stores and 30-35 franchises a year in 1986 and beyond.
Hamburger Hamlet—32-year-old white tablecloth concept featuring burgers, chili, and fresh desserts.	22	5 units in the next 12 months.	23	Though still committed to its successful Hamburger Hamlet concept, company is diversifying with Hamlet Gardens, Kate Mantilini's Steakhouse, and others.
J.J. Muggs—Developed by S&A Restaurant Corp., owner of Bennigan's and Steak & Ale, as a low-investment diversification vehicle.	6	12 units by June 1985, then watch for rapid expansion.	18	This year S&A is evaluating Muggs on a restaurant-by-restaurant basis for conversion or sale, after having made a number of changes in format.
J.T. McCord's—Half-pound burgers, sandwiches, salads, and full dinners distinguish Pizza Inn's diversification concept.	5	7 new units next year, then 10 a year in succeeding years.	9	Has slowed company expansion, will grow primarily through franchising.
Moxie's—Diversifood's concept sells smaller burgers for lower prices in converted Cork 'N Cleavers.	2	Possibly 50 units by end of 1985.	1 (had expanded to 8 by mid-1985)	New parent Pillsbury has put Moxie's up for sale.
Spoons—Continuing to diversify, Saga Corp. acquired this Mexican-flavored concept.	6	15 units in fiscal 1985.	15	Saga will close three Midwestern units if volumes don't improve, has changed the overall concept significantly.
T.J. Applebee's—Acquired by W.R. Grace fast food division, Creative Food 'N Fun. A broader menu than typical gourmet burger operation. Patterned after a neighborhood pub.	5	210 units in five years.	23	Menu is more diversified, and "prudent expansion" is the focus. Near-term plans call for 20% company growth per year plus "low-key" franchising activity. Name changed to Applebee's Neighborhood Grill & Bar.
T. Twiggs—Developed by diversifying Greyhound Food Management, this concept emphasizes burgers, steaks, chicken, and fish.	1	This is pilot unit; growth dependent upon success of test concept.	1	Up for sale.
G.W. Jr.'s/"jeepers!"—Developed by Church's Fried Chicken as a diversification vehicle.	about 70	Phasing out G.W. Jr.'s, with some being converted to lower-ticket "jeepers!"	0	Church's has disposed of its entire hamburger division to concentrate on its chicken stores.
Red Robin—This 17-year-old concept has a diverse menu featuring 28 types of burgers.	22	18 units in 1985, 185 units by 1989.	35	With money from a Japanese investor, the company will grow by 20 units in 1986, accelerating thereafter.
Round the Corner—Concept has always had a broader menu than most self-service competitors. Customers order food by phone and pick up food when the phone buzzes.	N/A	Number of units depends on number of good locations. Concentrating on markets where there is already a presence.	25	By concentrating on market penetration, the company hopes to grow by about 20 percent per year over the near-term.

1985; all but one have since been closed or sold off and the remaining unit is also for sale.

S&A Restaurant Corp. has also all but given up on its mini-chain, JJ. Muggs, according to Kyle Craig. Muggs' menu had been diversified far beyond its original format to include chicken dishes, Mexican items, ribs, and steaks; with an average check of about $8, the 18 JJ. Muggs were generating average unit volumes of about $1.2 million. The division is being evaluated this year on a restaurant-by-restaurant basis for possible sale or conversion to another concept, including Bennigan's, Steak & Ale, and Bay Street, a new seafood dinner house.

A FAMILIAR PATTERN. An unfortunate pattern emerged quickly for the gourmet burger segment. Initial reception was good, and chain hopefuls rushed to get into what they thought was a newly discovered—and extremely profitable— niche. Soon, however, it became apparent that customers were less than enchanted with the price/value formula offered by gourmet hamburgers. Concludes analyst Charles Glovsky: "Customers are basically just not willing to spend $5 and $6 and $7 for a hamburger."

Fuddruckers has run squarely up against that problem. "Our research indicated that customers liked us and liked our product," says Bill Baumhauer, chairman, president and CEO of the San Antonio-based company. "But they took issue with the prices just as much as with the limited menu." The solution was to lower prices—average check today is $4.60 compared with $5.50 three years ago—and retain a relatively limited menu.

But results of the strategy have been mixed. Although customer counts increased better than 10 percent due to price reductions, the company is still not satisfied with store sales; in an effort to increase repeat business, the menu was further broadened, and now the company feels it is headed in the right direction. "We feel our mistakes are correctable," says Baumhauer.

He adds that management of the chain sees itself as "competing with nobody directly, but everyone from McDonald's to mid-price dinner houses indirectly."

Part of the problem, suggests Baumhauer, has been in having to educate the customer to trade up from fast food and down from the dinner house, a process which takes marketing money, which is hard to come by during an expansion phase.

Fuddruckers' unit volumes average about $1.3 to $1.4 million, on an approximate investment of $1.2 million. Baumhauer feels that the company needs to work to strengthen volumes by $100,000 to $150,000 per unit and get the investment down by the same amount to insure longevity.

With 104 units currently, Fuddruckers has also become less aggressive about expansion. For the next 12 to 18 months, the company will concentrate in markets that have already proven successful in order to consolidate marketing clout. The company will grow by about 25 company units and 30 to 35 franchises per year over the next several years. Admits Baumhauer: "Along with everyone else, we've learned that it's not realistic to have 1,000 or 2,000 stores. Now we're looking at 300 to 400."

Some companies' forays into the world of gourmet burgers have produced dismal results. Victoria Station Inc., based in Larkspur, CA, had looked towards its self-service Bonkers Grill & Bar as a way around the relentlessly declining sales of its flagship boxcar dinner houses. Though it originally announced that it might convert more than a dozen Victoria Stations to Bonkers in short order, only six were completed and four have been subsequently closed in the wake of losses totalling more than $5 million in 1985 alone.

Nor has conversion been a panacea for Lifestyle Restaurants Inc., formerly Beefsteak Charlie's Inc. The company had changed over two of its Beefsteak Charlie's restaurants into Daly's Dandelions, a mid-price casual dining format with a diverse menu. In addition, seven Beefsteak Charlie's were converted to Tallulah's American Cafe restaurants, a similar concept with a similar check average—$7 to $8. Now, all nine have been converted back, having contributed to fiscal 1985 operating losses of $4.7 million.

THE GOOD NEWS. Still, for the companies that are regionally entrenched or have found a unique niche, the rewards can be considerable. Thirty two-year-old Hamburger Hamlets Inc., based in Sherman Oaks, CA. enjoys sales of over $40 million a year with its classy formula of burgers, chili, lobster bisque, onion soup, and other menu items. But even Hamburger Hamlets has recognized that changes are the order of the day. Three new dining concepts from the chain have already debuted or soon will arrive on the scene.

Two other mainstays in the gourmet burger business are Red Robin and Round the Corner. Seattle-based Red Robin International Inc. is 17 years old and just now embarking on an expansion phase. Though the company has 35 units in operation (12 of them company-owned), its recent sale of a 50 percent interest to the Tokyo-based foodservice giant Skylark of Japan has provided funds for "controlled but rapid company growth," according to Ben Keylin, Red Robin vice president of marketing and public relations.

Round the Corner Restaurants Inc., based in Boulder, CO, has also found itself in the happy position of being validated by its fledgling challengers. According to Ed Massey, president and CEO, the 18-year-old, 25-unit company has always positioned itself as a quality alternative to fast food, and as such claims an average check that is 10 to 15 percent lower (at about $4.50) than the competition's.

This experience could teach chain execs a costly lesson: there are no sure-fire bets.

Moreover, according to Massey, the company's front-end investment is about half that of its competitors, enabling Round the Corner to make a decent return on its $800,000 per store volumes. Expansion will be slow and steady—about 20 percent a year.

It remains to be seen which of the "gourmet burger" chains will ultimately survive—and in what form. The "me-too" frenzy that characterized the rapid-fire emergence of so many similar competitors has given way to some harsh economic realities. A continuation of the current shakeout in this market seems inevitable.

"There have been a lot of growing pains, that's for sure," admits Neeb of Grace. "It's been a case of too many people trying to carve out the same niche, duplicating everybody's attempts to fill that perceived customer need."

In many ways, the tale of woe that lies behind the gourmet burger boom and bust is a microcosm of the challenges facing the entire industry: There are no easy answers, no quick profit fixes, and, quite possibly, no more uncharted niches.

MARKET SEGMENT OPPORTUNITIES

To exploit a niche, take a proven concept in one area of the country and transplant it to another.

It's likely that the first pan pizza most people in Denver, CO, tasted was a Pizza Hut pan pizza—a generation after Chicagoans claimed pan pizza as their own. Chi-Chi's was one of the first restaurants to bring chimichangas to Pittsburgh, PA.

One tried and true method restaurateurs have used to exploit a "niche" in the marketplace is to take a proven concept in one area of the country (Mexican food in the Southwest) and to introduce it into new areas (Midwest).

One means for evaluating a concept's or food type's acceptance in one area is to look at the number of restaurants currently available. As with the age-old question of which came first, the chicken or the egg, the question remains as to whether restaurant availability drives demand or vice versa. Restaurant Consulting Group, the firm that publishes RE-COUNT, a "census" of restaurants by market across the country, suggests there's some truth to both theories. For example, per capita consumption of chicken tends to be higher in the South, partially because people like chicken more and partially because it's more convenient to get to a chicken restaurant—there are more available. To a certain point, increased demand generates increased supply, which generates increased demand.

One way or the other, opportunities exist for restaurateurs to take concepts popular in one area and to introduce them (or to expand their availability) into other areas.

In addition to exploiting untapped potential and building demand for a product or concept in underdeveloped areas, two clear dividends accrue to those restaurateurs entering the market early. First, the presence of direct competition is relatively minor. The restaurateur can spend time and money fine-tuning his concept rather than responding to competitive pressures. Second, the restaurateur can set the standard for the concept/product in the market against which future entries are judged. For example, Domino's has defined the pizza delivery market. Anyone entering the market now must match their guaranteed delivery time. An acceptable standard for Mexican food in the Northeast has a much milder spice profile, popularized by the chains, than in the Southwest.

This article investigates how opportunities, based on availability, differ for eight categories across 10 ADI markets in the country. The categories include hot dogs, Italian, pizza, chicken, Mexican, barbecue, Oriental, and ice cream. The markets selected range from the 11th to the 20th largest ADI's in the country: Cleveland, Minneapolis/St. Paul, Pittsburgh, Tampa/St. Petersburgh, Seattle/Tacoma, St. Louis, Miami, Denver, Atlanta, and Sacramento/Stockton.

HOT DOGS. Nationally, there are almost 3,000 hot dog stands, representing about one percent of all restaurants. Of the 10 markets chosen, hot dog stands are more prevalent (represent a higher share of all restaurants) in Pittsburgh, Tampa/St. Pete, Denver and Sacramento/Stockton. Success in these markets would depend primarily on an operator's ability to capture market share from existing units.

In the other six of the 10 markets chosen for this article, most notably Minneapolis/St. Paul, hot dog outlet availability is low. It's likely the opening of a new hot dog stand here would result in increased consumption. Keep in mind this is a screening process for market selection. It does not preempt the need to offer products the consumer wants in an appealing atmosphere at an affordable price.

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This article and statistical data were provided by RE-COUNT, a service of Restaurant Consulting Group, Inc., Kenilworth, IL. RE-COUNT (Restaurant Count by Market) delineates the presence and count of chain and independent restaurant units for every market in the contiguous 48 states and for every county within each market. The RE-COUNT report provides the number of restaurants units in each of 32 categories, classified by type of food served and/or by operational format.

TOTAL U.S. RESTAURANTS BY REGION*

MENU CATEGORY	Total US	New England	Middle Atlantic	E/N Central	W/N Central	South Atlantic	E/S Central	W/S Central	Mountain	Pacific
Total Restaurants	331530	18440	50357	54987	23624	49441	16287	44039	19230	55125
Sandwich Menu	42947	1739	4700	7468	3104	7498	2683	6311	2690	6754
Hamburger	28286	812	2458	4935	2433	4548	2077	4565	1822	4636
Roast Beef	2404	100	445	587	142	522	118	176	148	166
Hot Dogs	2971	77	309	885	83	321	140	435	165	556
Subs	4641	505	912	576	211	1037	86	467	295	552
Other Sandwich Menu	4645	245	576	485	235	1070	262	668	260	844
Delicatessen/Bagel	3875	246	794	439	164	597	125	357	171	982
Chicken	11624	222	881	1956	686	2533	1015	2238	540	1553
Pizza	35770	2576	7343	7681	2457	4724	1493	3001	1868	4627
Fish/Seafood	9121	567	1081	1003	329	2333	721	1352	309	1426
Steak Menu	8144	299	910	1340	740	1662	586	1093	538	976
Family Steak	3717	89	314	660	312	962	371	439	213	357
Upscale Steak	858	36	95	98	47	168	26	191	67	130
Unclassified Steak	3569	174	501	582	381	532	189	463	258	489
Ethnic Menu	36138	1491	5323	4472	1916	4277	810	4873	2725	10251
Mexican	13034	151	497	1415	873	1030	326	2873	1426	4443
Oriental	14675	822	2987	1730	726	1872	325	1345	792	4076
Italian	4438	341	1108	670	135	734	85	276	263	826
French	1323	78	261	124	47	244	24	110	85	350
German	386	9	49	84	26	45	6	35	31	101
Spanish	155	3	34	10	4	30	1	30	9	34
Greek	784	39	122	216	46	147	19	48	57	90
Indian	261	10	81	28	8	48	1	20	5	60
Soul Food	138	1	12	21	5	32	6	20	4	37
Other	944	37	172	174	46	95	17	116	53	234
Barbecue	5947	43	176	576	298	1287	713	2034	193	627
Full Menu	14821	905	1687	3266	1101	2417	884	1270	831	2460
Family Style	12702	835	1447	2964	1005	2034	789	936	701	1991
Upscale	2119	70	240	302	96	383	95	334	130	469
Crepe	145	6	27	18	6	24	3	9	8	44
Pancake/Waffle	1911	90	116	249	106	594	174	200	167	215
Cafeteria	2795	67	103	373	248	653	182	600	200	369
Ice Cream	19870	1086	2713	3747	1744	2778	1078	2786	1154	2784
Donut	6980	648	901	1119	566	678	192	653	436	1787
Refreshment	3617	141	397	577	271	563	202	630	187	649
Specialty Menus	2880	121	290	459	120	475	138	434	206	637
Natural/Health	850	41	111	86	38	139	41	85	75	234
Yogurt	428	6	34	8	9	36	11	129	53	142
Potato	321	4	39	43	21	55	11	78	23	47
Pretzel	246	2	33	95	9	37	8	33	11	18
Soup	314	50	36	34	16	28	9	39	21	81
Chili	343	1	6	176	22	19	42	29	16	32
Biscuit	214	2	1	6		149	16	33	2	5
Fondue	15		1	4		2		1	2	5
Other	149	15	29	7	5	10		7	3	73
Miscellaneous	24107	1481	4604	2619	2939	2502	1136	3451	1498	3877
Truck Stops	902	12	69	162	126	126	106	147	75	79
Cafes	11993	504	787	1309	2271	926	665	2307	1070	2154
Coffee Shops	3799	251	847	376	200	319	77	366	168	1175
Grills	2522	99	439	402	183	579	159	322	87	252
Diners	2518	312	1212	207	110	283	93	185	35	81
Luncheonettes	2373	303	1250	163	49	269	36	124	43	136
All Other Restaurants	100838	6712	18311	17625	6829	13846	4152	12747	5509	15107

Source: RECOUNT 1985

■ *Indicates highest concentration by region*

OPPORTUNITIES

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ETHNIC MENUS. Major successes have occurred in taking ethnic menus into new areas. Thai, Cajun and Spanish are all considered "hot" foods now. Even among the three major ethnic categories—Mexican, Italian and Oriental—pockets of opportunity exist.

Pittsburgh and Cleveland, with relatively strong Italian populations, are both strongholds for pizza and Italian restaurants. However, there are opportunities for Mexican and Oriental.

There are less than 50 Mexican restaurants in Pittsburgh (vs. over 700 pizza restaurants) and not even 100 Oriental restaurants. In both cases, this is well less than half of what would be expected, based on the national average. Cleveland is only slightly more well penetrated, and so is, to a lesser degree, Tampa/St. Petersburgh.

St. Louis is a real stronghold for Italian restaurants (as evidenced by toasted raviolis and a population famous for having produced Joe Garagiola and Yogi Berra). Oriental restaurants are also very strong here. However, Mexican restaurants are underrepresented.

In Minneapolis/St. Paul, a customer could drive a very long way looking for an Italian restaurant, despite somewhat above-average pizza availability. Mexican restaurant distribution also tends to be low here.

In Sacramento/Stockton and Denver there are about twice the proportion of Mexican restaurants than the national average. In both these markets, Italian and pizza distribution are low. Pizza distribution is low in Seattle/Tacoma.

Of the 10 markets, only Atlanta has below-average distribution for all three ethnic categories and pizza. Miami is average or above for all categories except pizza.

CHICKEN, BARBECUE, ICE CREAM. Both chicken and barbecue restaurants are most prevalent in Southern markets. Potential for these appears highest in Northern markets and Western markets. One reason for the lack of success of Luther's may have been its choice of markets for entry.

By building in Southern markets, Luther's faced both high competition, particularly from well-established independents, and consumer palates with well-defined standards for barbecue sauce. In Northern and Western markets, competition would have been less fierce.

Ice cream, on the other hand, has higher availability in Northern markets (Pittsburgh, Minneapolis and Cleveland) and St. Louis, probably reflecting Dairy Queen's distribution. Southern markets, as evidenced by Atlanta, Tampa/St. Petersburgh and Miami, are surprisingly 10 percent to 20 percent understored, where the season for ice cream could be longer.

In many cases, being the "pioneer" with a new or unfamiliar concept in an area will mean a somewhat longer payout period for a restaurateur as it takes some time to educate consumers and bring the concept into their conscious selection process. ■

Growth opportunities By Menu Category and ADI

	Chicken		Barbecue		Ice Cream		Hot Dog	
	Share	Index	Share	Index	Share	Index	Share	Index
National	**3.5%**	**100**	**1.8%**	**100**	**6.0%**	**100**	**.9%**	**100**
Pittsburgh	1.5	43	.4	22	7.5	125	1.4	156
Cleveland	2.1	60	1.1	61	6.9	115	.5	56
Minneapolis/St. Paul	2.1	60	.3	17	7.4	123	.2	22
St. Louis	5.0	143	2.0	111	7.7	128	.4	33
Atlanta	6.3	180	3.4	189	5.3	88	.5	56
Tampa/St. Petersburg	5.3	151	3.0	167	5.1	85	1.0	111
Miami	4.2	120	1.5	83	4.8	80	.5	44
Denver	2.5	71	1.0	56	6.2	103	1.0	111
Seattle/Tacoma	2.1	60	.8	44	4.8	80	.3	33
Sacramento	2.5	71	.9	50	6.2	103	1.3	144

	Pizza		Italian		Mexican		Oriental	
	Share	Index	Share	Index	Share	Index	Share	Index
National	**10.8%**	**100**	**1.3%**	**100**	**3.9%**	**100**	**4.4%**	**100**
Pittsburgh	18.4	170	1.8	138	1.0	26	1.8	41
Cleveland	17.1	158	1.7	131	1.5	38	2.9	66
Minneapolis/St. Paul	11.6	107	.5	38	2.7	69	4.9	111
St. Louis	9.8	91	1.9	146	2.7	69	6.2	141
Atlanta	8.5	79	1.1	85	3.3	85	4.0	91
Tampa/St. Petersburg	11.2	104	2.1	162	2.3	59	2.8	64
Miami	9.6	89	2.3	177	3.9	100	6.3	143
Denver	8.5	79	1.1	85	6.3	162	4.2	95
Seattle/Tacoma	9.3	86	1.5	115	3.7	95	6.4	145
Sacramento	10.0	93	.8	62	7.8	200	6.0	136

Source: RE-COUNT '85

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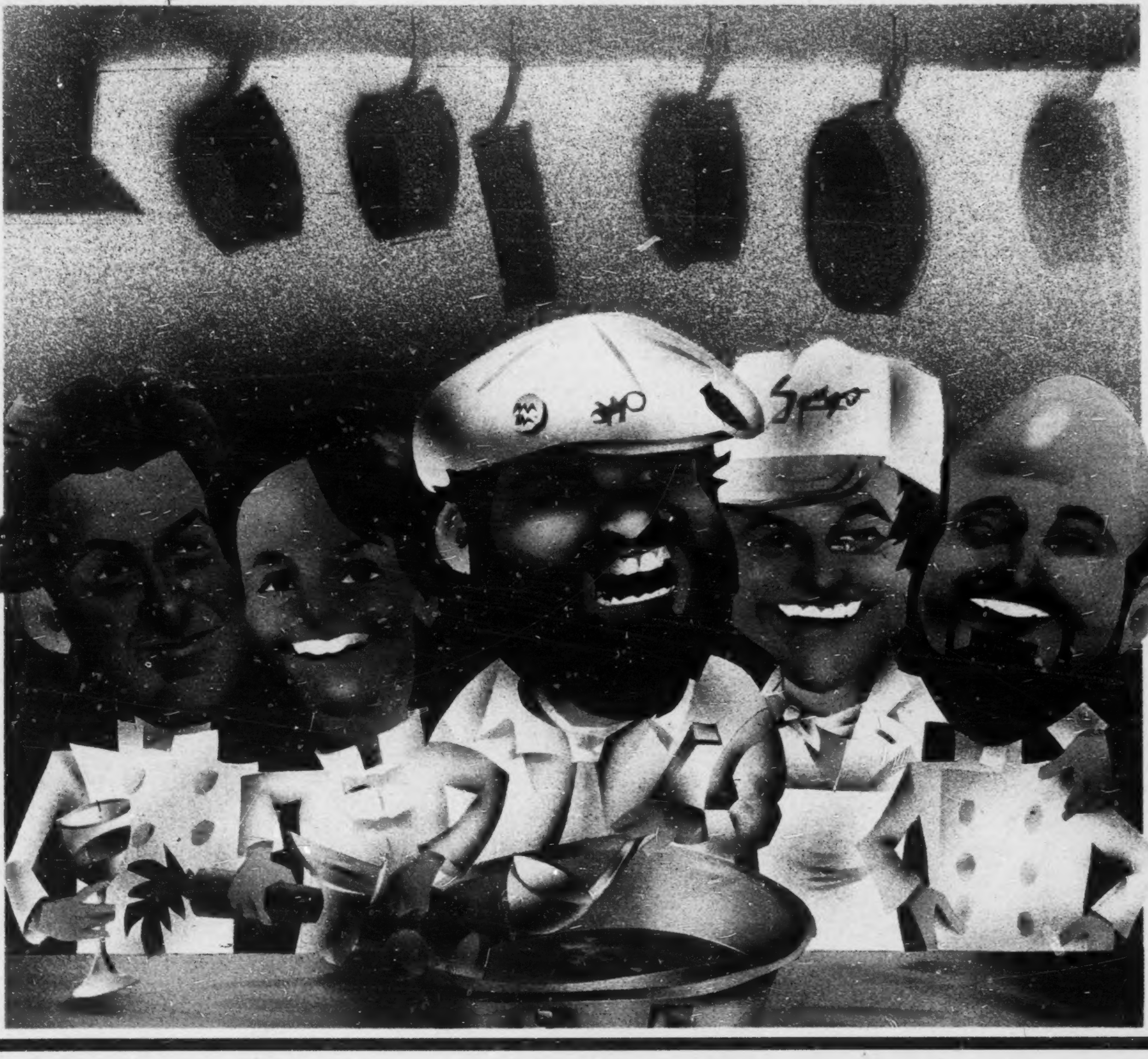

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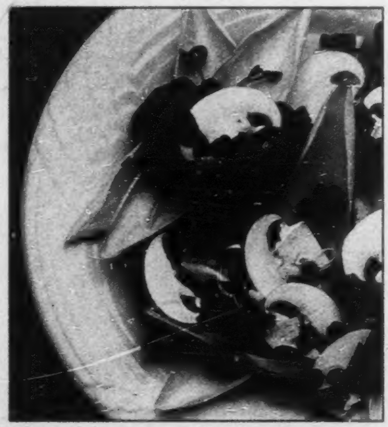

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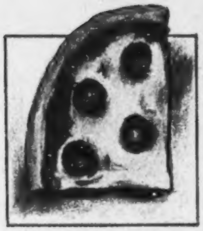

PIZZA MARKET IS ON THE MOVE

The 'Domino's effect' has major pizza chains vying for a slice of the lucrative delivery business.

by Jacque Kochak

Pizza continues to grow in popularity, with the number of pizza restaurants far outstripping the number of hamburger units in the U.S. Major pizza chains report extremely aggressive expansion plans, and while Pizza Hut still reigns supreme as undisputed queen of the segment, such "upstarts" as Domino's and Little Caesar hope to overtake her some day.

Delivery has emerged as a very important factor in the pizza segment. Domino's Pizza Inc. alerted operators to the possibilities of delivery by posting phenomenal growth figures over the last several years. In fact, the Ann Arbor, MI-based company increased sales a staggering 73 percent in 1985, to $1.08 billion from $626 million. Now

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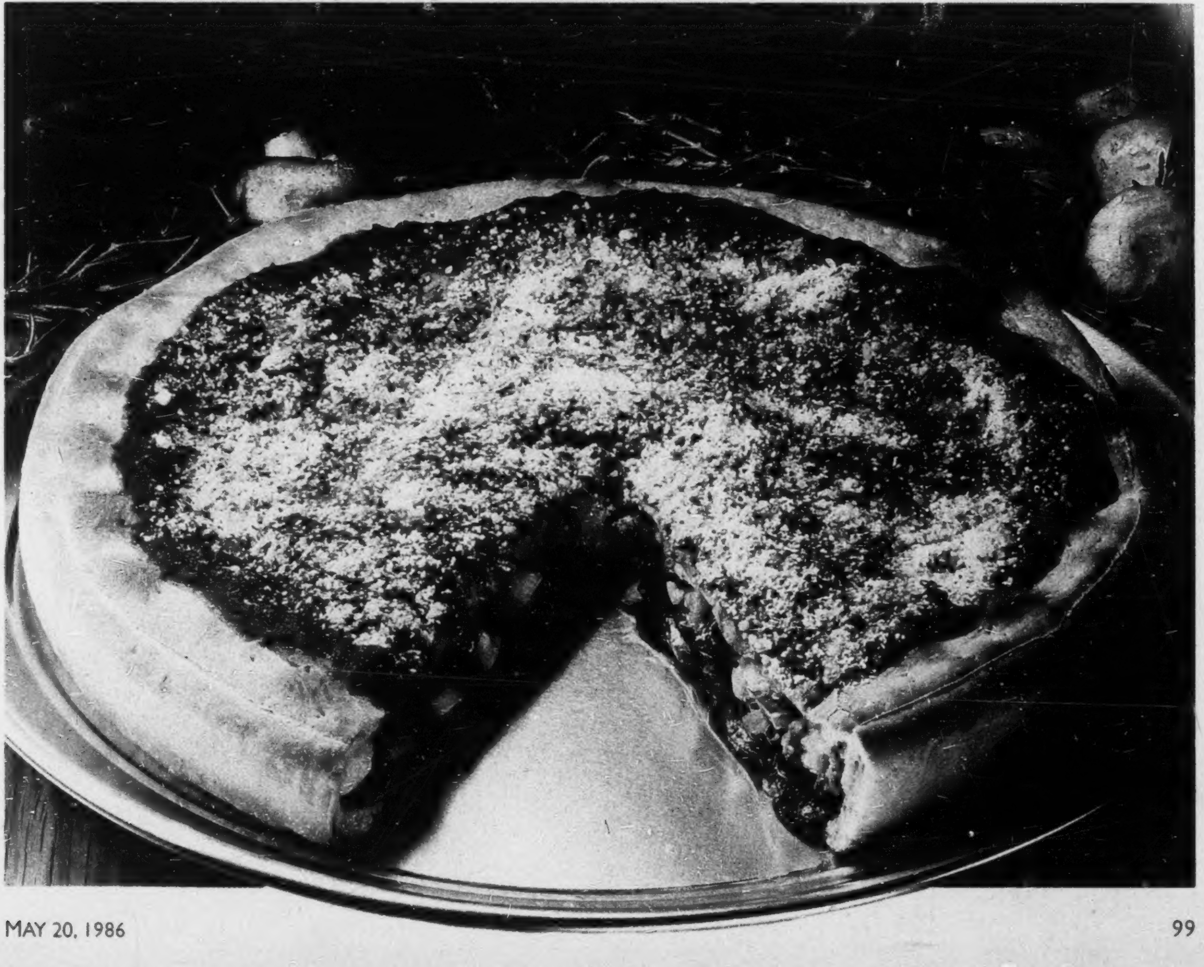
Pizza Inn's introduced its stuffed pie to compete with Pizza Hut's Priazzo.



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Pizza Hut is turning heads by initiating its own delivery program.

Delivery is so popular that several companies are halting or slowing expansion of full-service concepts to promote development of stripped-down delivery units.

"Delivery-only units require less space," explains William Eskew, vice president of marketing for Dallas-based Pizza Inn Inc. "Delivery is popular, and small delivery-only units give a franchisee a way to quickly fill out a market." Pizza Inn is also giving franchisees a financial incentive to open the smaller units (1,500 to 1,900 sq. ft. compared with 3,000 sq. ft. for a full-service unit); plans call for opening 150 of the new units in 1986. According to Ray Phillips, senior vice president of finance for Pizza Inn, the delivery units require an investment of about $125,000, versus more than $600,000 for the full-sized restaurants.

COMPETITION HEATS UP. As the popularity and promise of pizza have become increasingly apparent, competition is definitely heating up. As a result, chains have been broadening their menus to entice new customers, and chasing lunchtime business.

Leading the way is Wichita, KS-based Pizza Hut Inc., which until just a few years ago was not considered serious competition by many up-and-coming regional chains. The company's product was viewed as mediocre at best; Pizza Hut was a "has-been" with an impressive number of units but unimpressive execution. Then the slumbering giant woke up.

The introduction of pan pizza caused competitors to take notice and pumped up Pizza Hut's sales; then came the introduction of Personal Pan Pizza, aimed at luring customers at lunch and now accounting for some $350 million a year in sales. Last year the company introduced Priazzo, a heavy stuffed pizza that also accounts for about $350 million in sales. Now Pizza Hut is rolling out "Calizza," designed for lunchtime consumption and similar to the *calzone*—a pocket of pizza dough stuffed with cheese and other fillings—that has been popular in the Northeast for many years.

The pizza success story has not gone unnoticed by other segments of the foodservice industry. Greyhound Food Management Inc., a contract caterer and Burger King franchisee based in Phoenix, AZ, recently purchased Dayton, OH-based Cassano's Pizzerias with high hopes for expansion. Even McDonald's is testing a "McPizza." And some supermarket chains are increasingly presenting stiff competition by offering high-quality made-on-premise pizza for take-out.

"Frozen products from the grocery store are better than ever before," notes Craig Slavin, president of Chicago-based Giordano's, an upscale pizza chain specializing in that city's famous

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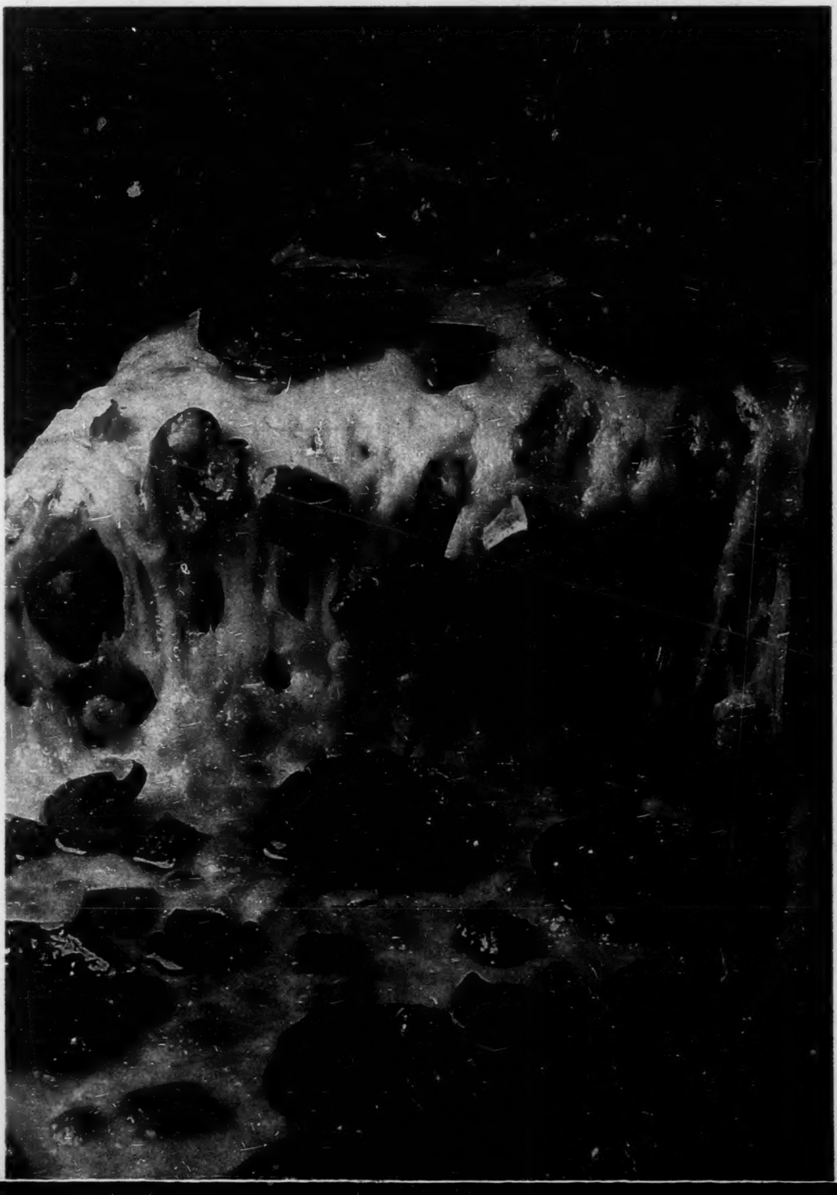
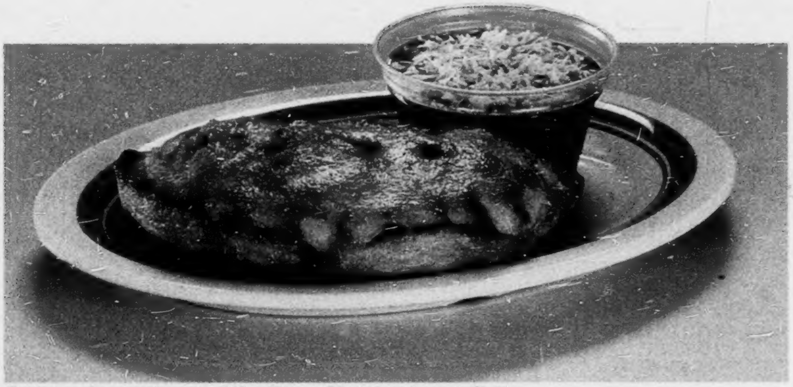
As the popularity of pizza increases, the competition among pizza chains intensifies. Operators are broadening their menus to entice new customers and aggressively chasing lunch business.



Little Caesar, which recently opened its 1,000 unit and now has stores in 38 states, continues to emphasize value with its two pizzas for the price of one promotion.



To boost lunchtime traffic, Pizza Hut developed Calizza.

Pizza Hut continues its reign as the largest pizza chain with 4,950 units and sales of $2.9 billion.

PIZZA *continued from page 100*

stuffed pizza. "That means that pizzerias serving made-from-scratch pizza have to be better than ever before."

EXPANSION PLANS. Pizza still retains something of its regional character, with the Northeast and Chicago, especially, attached to their own particular styles. National or soon-to-be-national chains are becoming more and more of a force, however, as they mount extremely aggressive expansion plans.

Part of the reason for the expansion flurry is the increased amount of money in the marketplace and the eagerness of investors to bet on what looks like a winner. And part comes from the pizza chains' increased confidence in their product.

Just two or three years ago, a Pizza Hut spokesman lamented the fact that the company's penetration of the New England and New York City markets was minimal because of people's fierce loyalty to regional styles of pizza. In New York City, for example, practically every block boasts a tiny mom and pop pizzeria—serving chewy-crusted pizza that folds like a sandwich.

Now Pizza Hut has initiated an expensive television campaign to introduce the Priazzo, a product unkown in New York City, and New York has been listed as an expansion focus. Domino's is also opening units in the New York City suburbs.

The enthusiasm for expansion is fueled by steady growth in real sales. Pizza chains that franchise have been showing overall sales gains of nearly 20 percent a year while sales in many other segments are basically flat, according to "Restaurant Franchising in the Economy," a report prepared by Andrew Kostecka of the U.S. Department of Commerce.

Pizza Hut is pursuing delivery through a one-number order system.

FREE DELIVERY
SPECIAL DELIVERY
Pizza Hut
FRESH! HOT! FAST!
CALL 662-5555

There are now a total of 35,770 pizza restaurants in the United States, or 10.8 percent of total restaurants. By contrast, there are only 28,286 hamburger restaurants (8.5 percent of total restaurants), according to the Spring 1985 RE-COUNT data prepared by Kenilworth, IL-based Restaurant Consulting Group Inc. Pizza is most popular in the East/North Central region where pizza restaurants (7,681 units) account for 14 percent of the total restaurants (54,987) in the region and in the Middle Atlantic States where pizza restaurants (7,343 units) account for 14.6 percent of total restaurants (50,357) in the region.

Those numbers are going to increase rapidly in the next few years, although some people are predicting a shakeout. Domino's growth has been extraordinarily fast; the chain opened 954 stores in 1985, the highest one-year total ever recorded by a foodservice company, according to company sources. The number of units increased 51 percent, from 1,885 in 1984 to 2,839 in 1985. Unofficial plans call for opening 921 new Domino's units in 1986, for a total of more than 3,700 outlets. Reportedly, Domino's wants to open an outlet in every town in the U.S. with a population over 10,000, and founder Tom Monaghan says that Domino's will have 10,000 units by 1990 (by comparison, McDonald's has around 8,000).

Pizza Hut, with 4,950 units and 1985 sales of $2.1 billion, continues to grow at a respectable pace. The company will open 200 to 300 domestic units in 1986; 130 to 150 will be company-owned.

Like Domino's, Little Caesar Enter-

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prises, a take-out concept based in Farmington Hills, MI, is aiming for national dominance by 1990. The company just opened its 1,000th unit, and now has locations in 38 states, Canada, and Great Britain. It emphasizes a price/value strength by selling two pizzas for the price of one.

Systemwide sales reached $340 million in 1985, an increase of more than 470 percent since 1980. Company analysts project a 50 percent increase in sales for 1986, to $475 million, and 1986 plans call for opening 500 units.

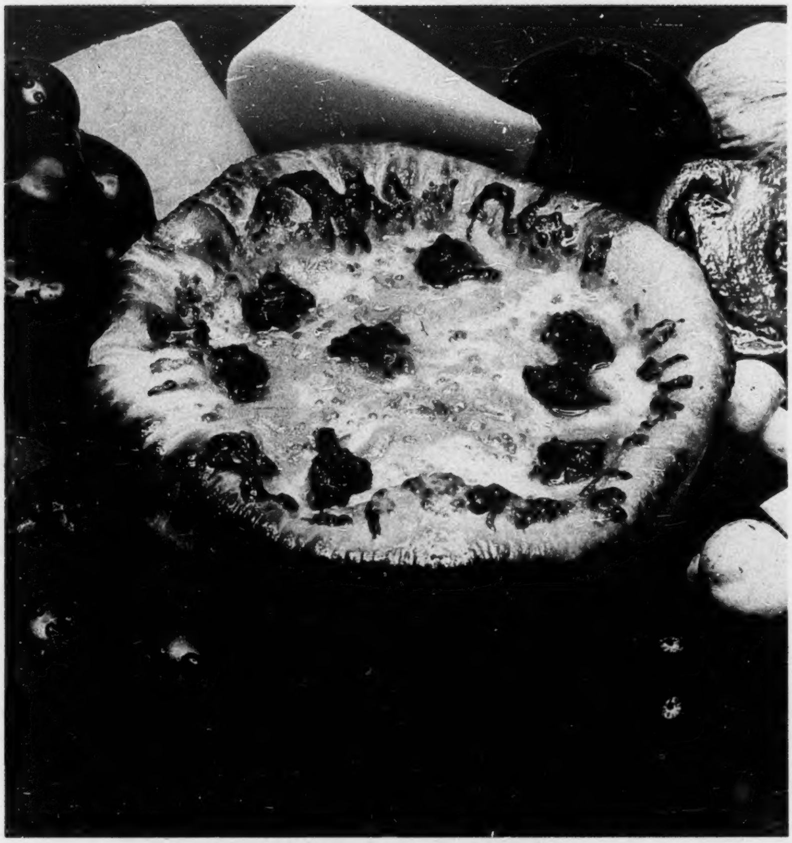
All this growth has catapulted Little Caesar into third place among national pizza chains, bypassing Godfather's Pizza (until recently the second largest pizza chain), which has slipped to fifth place with 1985 sales of $268 million, behind ShowBiz Pizza Time Inc. (formerly ShowBiz Pizza Place Inc.) ShowBiz climbed to fourth place when the Irving, TX-based company, owned by Brock Hotels Corp., acquired competitor Chuck E. Cheese Pizza Time Theatres last year. Combined 1985 sales of the new entity totaled $325 million.

At this time neither ShowBiz Pizza nor Godfather's is expanding.

As for Godfather's, Joyce Myers, a spokesman for the pizza chain's parent Burger King Corp., will say only that every aspect of the Godfather's format, from menu to site selection, is being evaluated. The chain, which has been operated under the Burger King umbrella since its purchase from Diversifoods by Pillsbury last summer, named a new president last month. Herman Cain, who previously served as vice president and general manager of Burger King's Philadelphia region, succeeds Pete Pettis, who has gone into business for himself.

Dallas-based Pizza Inn, the sixth largest national chain with 1985 sales of $265.5 million and a total of 728 units, will open about 150 new units (all small take-out/delivery outlets), and Irving, TX-based Shakey's Inc., the seventh largest pizza company with 1985 sales of $211 million, plans to step up expansion by increasing the number of units by 10 to 20 percent in 1986. Shakey's, with 272 units currently, will be expanding more aggressively than in the past because the company has been refining three new pizza concepts, but vice president of marketing Rodney Read won't give details.

The eighth largest pizza chain is San Francisco-based Round Table Pizza, with 500 units throughout the west. Round Table, with 1985 sales topping $196 million, will open 70 new restaurants in 1986, with emphasis on southern California and Arizona.



San Francisco-based Round Table now offers a personal pizza.

Domino's growth continued in 1985 as the second largest pizza chain opened an astounding 954 units, claiming it to be the highest one-year total ever recorded.

Another regional operator, Austin, TX-based Mr. Gatti's Inc., is the country's ninth largest pizza chain at this point with 1985 sales of $130 million. The company operates 308 restaurants throughout the South, and plans to open between 14 and 18 new company stores plus a number of franchised units. Capital is being channeled into a remodeling program as well as expansion, says senior vice president of marketing and franchising Dave McKenzie; sales volumes are doubling in some units as a result of the facelifts.

Number 10 on the list of top chains is Tulsa, OK-based Ken's Restaurant Systems Inc., operators of Ken's Pizza, Mazzio's Pizza, Ken's Pizza Buy the Slice, and Scooter's Pizza Delivery (a delivery-only concept) in the Midwest and South. Like Pizza Inn, Ken's Restaurant Systems (1985 sales: $130 million) is pushing its new delivery-only concept; plans call for 32 new Scooter's in '86 and more than 90 in '87. The company will also expand Mazzio's (originally developed as an answer to Godfather's), but at a slower pace.

Mazzio's, a self-service concept with an upscale decor, offers three kinds of

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PIZZA *continued from page 104*

pizza with a variety of toppings, plus sandwiches, salad, and nachos. Takeout, including drive-thru, accounts for about 35 percent of sales for the 150-seat restaurants, whose unit volume exceeds $1 million in all new locations.

Scooter's, with two kinds of pizzas, added a variety of options to compete more effectively with Domino's: free pizza if an order isn't delivered in 30 minutes; one-number dialing to a central office for any given market; fried chicken and potato wedges (in half the stores); a variety of soft drinks; beer; and pints of Italian ice cream.

"The convenience of a diversified menu can be a tie breaker if someone is choosing between us and Domino's," explains Randy Grundy, vice president in charge of Scooter's.

To justify the cost of a central ordering system, Scooter's will build a minimum of five company-owned and five franchised units in each new market.

A number of smaller regional chains have plans for significant expansion, as well. A Long Island-based chain, Sbarro Italian Eateries, now has 136 restaurants scattered throughout 31 states, and continues to thrust westward. Sbarro is known for the high quality of its food, served in shopping mall locations. The chain, with 1985 sales of $34.4 million, made a public of-

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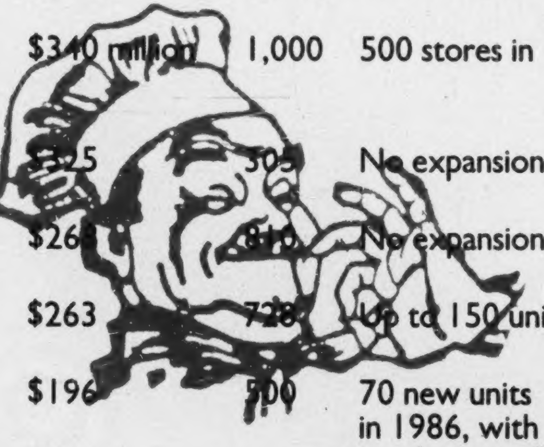
Top 10 Pizza Chains

(By Sales)

	1985 Systemwide Sales	Current No. Units	Expansion Plans
Pizza Hut **Wichita, KS.**	$2.1 billion	4,950	200-300 domestic units a year.
Domino's **Ann Arbor, MI.**	$1 billion	2,839	Over 900 units in 1986.
Little Caesar **Farmington Hills, MI.**	$340 million	1,000	500 stores in 1986.
Showbiz **Irving, TX.**	$325	305	No expansion.
Godfather's **Miami, FL.**	$268	810	No expansion.
Pizza Inn **Dallas, TX.**	$263	728	Up to 150 units in 1986.
Round Table **San Francisco, CA.**	$196	500	70 new units in 1986, with emphasis on Southern California and Arizona.
Shakey's **Irving, TX.**	$146	272	10-20 percent growth in unit counts in 1986.
Mr. Gatti's **Austin, TX.**	$130	308	About 40 new units in 1986; concentrating on remodeling.
KRS Inc. **Tulsa, OK.**	$130	255	About 63 units in 1986 (31 Mazzio's and 32 Scooter's).



PIZZA *continued from page 108*

fering last year to finance growth.

Noble Roman's Inc., based in Bloomington, IN, currently operates 127 units in the Midwest with 1985 sales of $45 million. The company is planning expansion in Ohio, Wisconsin, Michigan, Illinois, Kentucky, and Florida.

Madison, WI-based Rocky Rococo Corp., which specializes in pan pizza by-the-slice, hopes to more than double its size in 1986 by opening 120 new units in its current marketing area (from Ohio west to Washington across the northern half of the country) as well as move on to the East Coast. The company now operates 90 units.

Greyhound Food Management plans to take its new acquisition, Cassano's, throughout Ohio and the Sunbelt. Cassano's sells a chewy-crusted New York-style pizza piled high with a lot of toppings. Presently, there are 75 units within a 60-mile radius of Dayton, with $20 million in annual sales. According to Joseph Fassler, GFM's president, the company will spend the next six months refining the Cassano's concept, then rapidly open some 50 company and 50 franchised units within the following year. "After everything is in place we hope to build 150 units a year," he says. "But we won't grow before our time."

A number of small regional chains are expanding quickly and challenging the national chains for dominance in their home areas.

Like Pizza Inn and Ken's, GFM will expand a delivery-only concept, although some existing Cassano's are full-service.

Another delivery-only chain, Lexington, KY-based Pizza Transit Authority, has signed franchise agreements calling for over 250 units during the next five to seven years. Founder Jim Cherney has also recently sold 56 percent of the company's stock to franchisee Pizza Delivered Quick Inc., where he is now executive vice president.

Westminster, CA-based Lamppost Pizza, with 50 restaurants throughout the state and 1985 sales of some $30 million (up from $18 million in 1984), is planning expansion at a rate of one to two restaurants a month. The move will take Lamppost out of California and into other Western states.

Numero Uno, based in Woodland Hills, CA, is also on the move. The 11-year-old chain has grown to 62 units (57 of them franchised), with sales of $26 million, and claims to have a grip on 14 percent of the Southern California pizza market. With 24 units scheduled to open this year and 37 due to come on stream in 1987, the company's long-term growth plans call for 200 units to be in operation by 1991. In addition to its signature deep dish pizza, Numero Uno has added salad bars in some markets, a thin crust pizza that now accounts for 30 percent of pizza sales, and a selection of pasta dishes.

Another California chain, Straw Hat Pizza Restaurants (owned by Saga Corp.), is following a course of modest expansion in the wake of a few troubled years. The company operates 208 units, mostly on the West Coast, and will open a balanced mix of between

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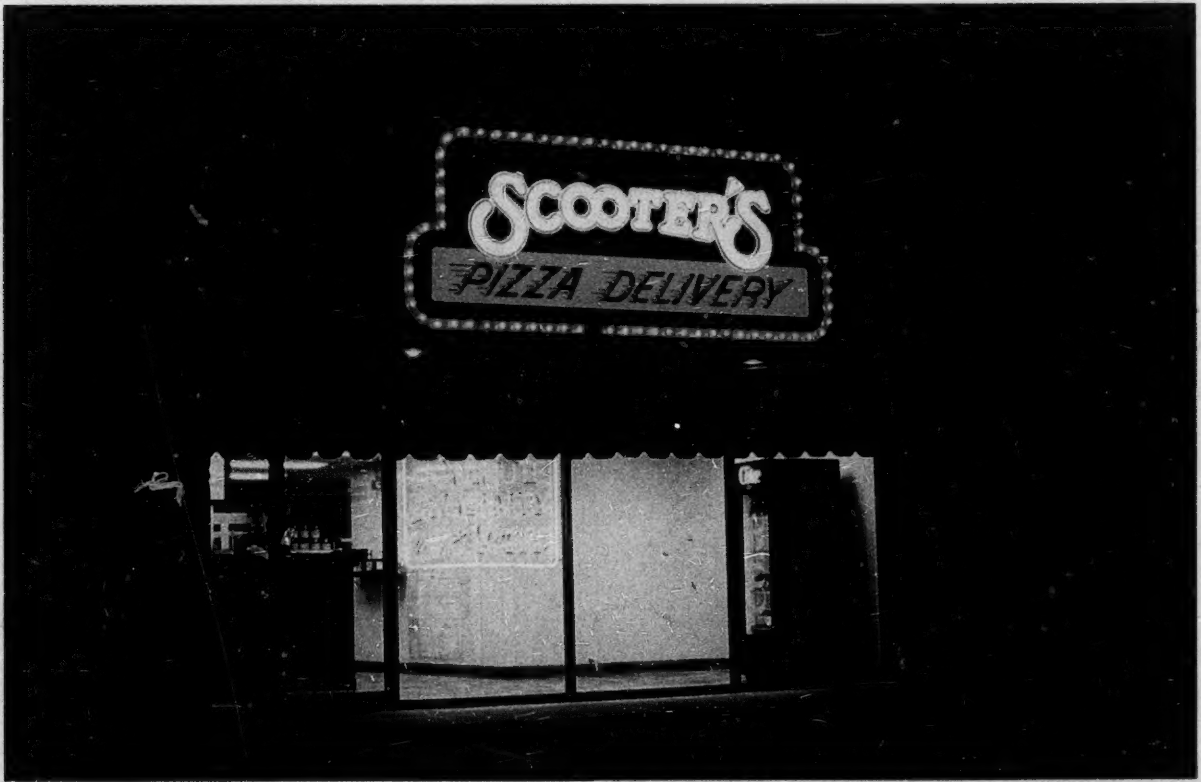
Ken's has high hopes for its delivery concept, Scooter's.



PIZZA *continued from page 110*
five and 10 each company and franchised units per year. The company's sales topped $94 million in 1985. A multi-faceted program to improve the chain includes the introduction of sourdough pizza and possible remodeling.

Pantera's Corp., St. Louis, the franchisor of the 61-unit Pantera's pizza chain, also has its sights set on expansion. Recently, Pantera's granted a non-exclusive area development franchise to Omaha-based Concept Development, Inc., a Godfather's franchisee, which provides for the conversion of approximately 65 Godfather's in North Carolina and Indiana into Pantera's restaurants. According to Franklin G. Allen, chairman of Pantera's, the move is the first step in a plan toward making "Pantera's a significant factor in the pizza industry." Pantera's stronghold is in St. Louis, where it has 45 units; the transaction will also give the company a dominant presence in four new areas: Indianapolis (with 17 units); Charlotte, NC (also 17 units); Winston-Salem, NC (11 units); and Raleigh-Durham/Fayetteville, NC (nine units). Pantera's sales will exceed $60 million following the conversions.

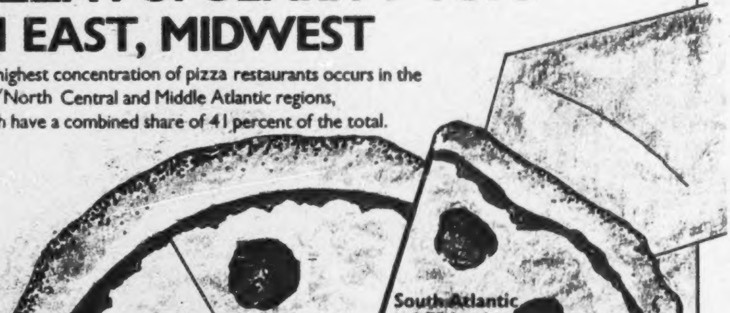
Leading the expansion of upscale pizzerias is Pizzeria Uno Corp., based just outside of Boston. There are now 25 Pizzeria Unos operating in 14 markets, with plans calling for the concept to expand by 10 units in 1986.

DELIVERY MANIA. Ever since Domino's opened the industry's eyes with its extraordinary growth, competitors have been awakened to the possibilities of home delivery pizza. Now Pizza Hut is also delivering, and spokesman Mike Jenkins says the company will end 1986 with about 800 delivery-only units. Larger markets will be served by "Central Order Taking Station" (COTS) centers which can be reached from anywhere in the city by dialing one number. A central computer directs the closest Pizza Hut to deliver the order. Pizza Hut is also testing mobile units in which pizza is cooked on the way to a customer's house.

The Mid-Atlantic and East/North Central regions, which include New York and Chicago, have the largest market share.

PIZZA POPULARITY TOPS IN EAST, MIDWEST

The highest concentration of pizza restaurants occurs in the East/North Central and Middle Atlantic regions, which have a combined share of 41 percent of the total.



Note: Percentages represent distribution of pizza restaurants by Census regions. There are 35,770 pizza restaurants in the U.S., 10.8 percent of total U.S. restaurants.
Source: Restaurant Consulting Group, RE-COUNT, Spring 1985.

Domino's is also testing a one-number system, and Mr. Gatti's has one-number computerized delivery systems in Austin, TX, and Louisville, KY.

While an astounding number of pizza operators have either initiated or are considering initiating delivery following Domino's success, at least one company is re-evaluating its delivery program following Pizza Hut's move.

Says Shakey's Rod Read: "We get a better return on investment with destination pizza restaurants. Pizza Hut doesn't have the growth available to it that we do, and we don't see delivery as a growth vehicle."

Other operators, however, see Pizza Hut's entry into the delivery market as a further impetus to add the service. They say they will have to offer delivery in order to remain competitive with Pizza Hut and Domino's.

Even some upscale pizza restaurants are now offering delivery. One of them is Gino's East in Chicago, owned by Collins Foods International. Franchisee Lettuce Entertain You Enterprises, with units in Chicago and Huntington, Long Island, has initiated a delivery program in Rolling Meadows, a suburb of Chicago.

"At one time, the big appeal of restaurants was that you didn't have to cook," says John Buchanan, vice president. "Now people have the convenience of not having to leave home."

The Rolling Meadows Gino's uses custom-designed trucks painted "like the top of an Italian tablecloth" in eye-catching red and white checks. Says Buchanan, delivery has turned out to

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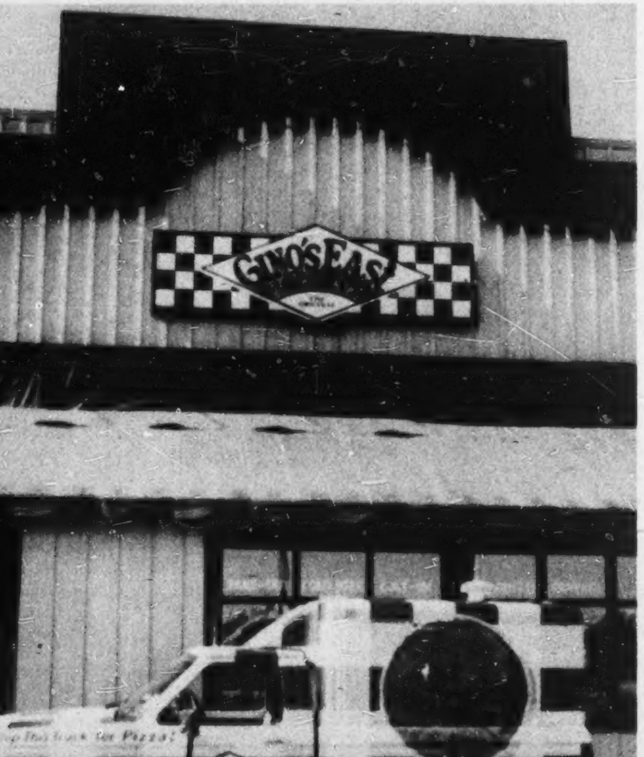
Delivery mania has spread throughout the pizza industry as a result of Domino's huge success.

Cassano's
OPEN
Free Delivery

Under GFM, Cassano's will focus expansion on smaller units and delivery.

For Chicago's Gino's East, delivery has worked well.



PIZZA *continued from page 112*

be "about five times as profitable" as expected, and now accounts for about 15 percent of the unit's sales.

Part of the appeal of delivery, says Buchanan, is that opening take-out and delivery-only units allows companies to keep costs down by utilizing smaller, existing spaces. "Domino's realized that a long time ago," he says. "I've seen Domino's operations put into some pretty incongruous places, like old liquor stores or gas stations."

Gino's is expanding its high-volume full-service units, but at a slow rate. Collins Foods has turned all responsibility for Gino's over to LEY's Buchanan, who says that four locations are pending in Chicago and three in New York and New Jersey.

Chicago-based Giordano's, famous for its stuffed pizza, also is testing a take-out and delivery-only concept. "Any way an operator can get the pizza in front of the people makes him more competitive," says Giordano's Craig Slavin. "Then it's all a matter of marketing. Some companies are offering free delivery, others offer delivery within 30 minutes. The company that can do both a full-service restaurant and a scaled down pick-up/delivery concept well has the best chance."

Giordano's has 22 units open or under construction, with 35 additional franchises sold.

The urge to successfully market delivery has led to some interesting ploys. In Chicago, one company delivers video cassettes along with pizza. And Connie's, a Chicago company

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PIZZA *continued from page 114*
much-mentioned by its competitors, utilizes some 30 to 35 delivery vehicles to establish satellite "units" around the "mother ship" unit in densely populated downtown. Pre-baked pizzas are loaded up and held in the trucks, which stop on pre-appointed rounds for walk-up business. The trucks are also equipped with telephones so that customers can call ahead.

MENU EXPANSION. Pizza Hut is not the only company to introduce something like the "Calizza." Round Table Pizza has introduced a calzone stuffed with ham, olives, onions, tomato, and a blend of cheeses.

Stuffed pizza is also achieving wider distribution. Pizza Inn has introduced its own stuffed pizza, as well as expanding its all-you-can-eat pizza buffet. Also in test is a light pizza (with whole wheat crust and vegetable topping) and, surprisingly, a fried chicken product. These moves are meant to protect market share in the wake of a disappointing year in 1985; the company sustained a net loss of $587,000 on sales of $265.5 million.

In addition, Pizza Inn has sold its debt-ridden Quality Sausage Co. subsidiary to Westport, CT-based Chesebrough-Pond's Inc., a major consumer products manufacturer, in order to concentrate on its core restaurant business. Chesebrough-Pond's has also taken a 7.6 percent equity position in Pizza Inn, at a cost of $2 million, although the company has announced that it has "no interest in furthering its ownership in Pizza Inn or in entering the field of fast food franchising."

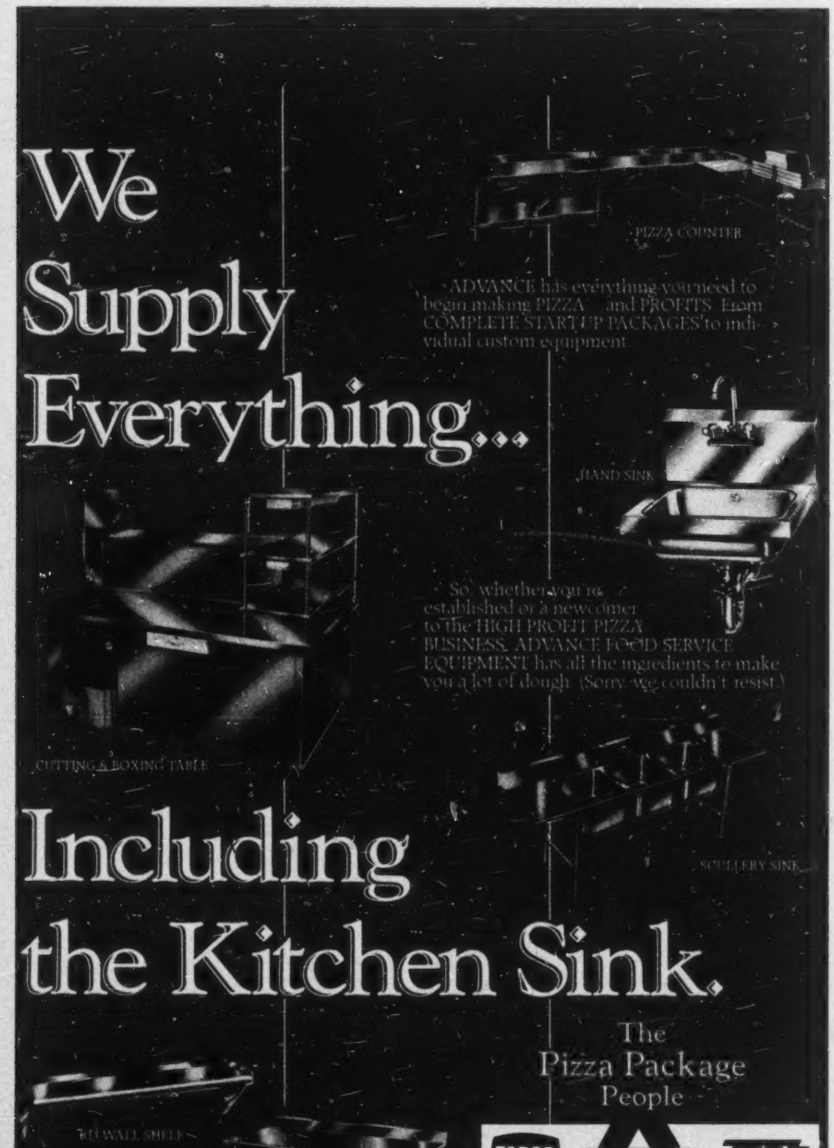
Despite financial difficulties, new ShowBiz Pizza Time president Dick Frank feels he can turn things around.

Interest in deep-dish pizza still runs high. Mr. Gatti's is testing a deep-dish pizza with a whole-grain crust and has added a meatball sandwich. And Noble Roman's has added a "Pan Brio" deep-dish pie to complement the company's deep-dish Sicilian pie.

ENTERTAINMENT CONCEPTS. ShowBiz Pizza Time, still a giant despite financial difficulties, practically constitutes a segment unto itself. Because of declining revenues for the last three years, the ShowBiz concept is constantly being re-evaluated, and a new president—Richard Frank, formerly of S&A Restaurant Corp.—joined the company a year ago.

"We will continue to target children, but we will bring the parents into the picture a little more too," says Frank. "We are going to reposition from a 'kid's entertainment' restaurant to a family restaurant."

The company has already downplayed video games. Now a number of changes are being made in mode of service to make the experience more pleasant for adults. For example, ShowBiz is now seating families so they don't have to scramble for tables, installing self-service beverage stations to reduce serving time, and doubling the number of registers. In addition, ShowBiz is improving its food: The pizza will be of higher quality and the salad bar will be bigger and fresher. ▪



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For information circle number 157

RESTAURANTS MOVE INTO TV BIG TIME

In 1985, restaurants passed the $1 billion mark in television spending. It will increase this year.

by Sarah Person

For the first time, restaurants and fast food chains in 1985 passed the $1 billion mark in television advertising expenditures, an increase of 17 percent over 1984. The numbers, computed by the New York City-based Television Bureau of Advertising, an industry trade association, are an indication of the industry's continuing—and accelerating—reliance on television as the medium of choice for its message. Only three other industry groups exceed the $1 billion mark: food and food products, automotive, and toiletries.

But national advertising on television is only for players with deep pockets. Thirty seconds sandwiched between gunshots on "Miami Vice" costs $165,000 and chains must come up with a whopping $270,000 for half a minute on television's top-rated program, "The Cosby Show."

As a result, decisions on how to spend these kinds of dollars aren't made easily, nor is the creation of the commercials themselves taken lightly. The major fast food chains commit considerable talent and resources to developing their commercials, and the ultimate results reveal not only how the companies see themselves but provide insight into the strategic differences between them.

A review of fast food TV advertising campaigns, concentrating on their development and execution, elucidates some of the essentials of a successful ad campaign.

But first, a closer look at the numbers. In 1985 a total of $1.088 billion was spent by the foodservice industry on television advertising, with $415.7 million of that going to network advertising, and $671.9 million on spot advertising. Figures for network and spot advertising for 1984 were $352.1 million and $577.5 million, respectively.

The top five fast food television advertisers, while all increasing their expenditures, retained the same rank as in 1984. McDonald's Corp., Oak Brook, IL, spent a total of $302.7 million on spot and network television in 1985, a 19 percent increase over 1984. Burger King Corp., Miami, whose much-talked-about "Herb" campaign took TV viewers into the first quarter of 1986, spent $154.9 million, increasing its ad expenditures by 20 percent. The third largest TV advertiser was Wendy's International, Inc., Dublin, OH, which upped TV ad expenditures 14 percent over 1984 for a total of $83.7 million.

TV EXPENDITURES UP. With $75.2 million in ad expenditures, Kentucky Fried Chicken, Louisville, KY, ranked fourth with a 20 percent increase over 1984, and Pizza Hut, Wichita, KS, at $63.3 million, was fifth, with expenditures up nine percent over 1984. Within TV advertising as a whole, industry by industry, McDonald's was the tenth largest television advertiser in the nation in 1984, up from its sixteenth place position in 1983, according to *Advertising Age Magazine.*

A related study published by the Television Bureau of Advertising shows that restaurants and drive-ins were the leading category for all local television buys. Figures for the industry for the first nine months of 1985 show that it spent $504.5 million, up 18 percent from the $426.9 million for the same period a year earlier.

Leading the spot buy list overall, ranking the first to fifth place for local

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A scene from Pizza Hut's "Pizza Lover's" campaign.

ADVERTISING *cont. from p. 300*
TV ad expenditures, were: McDonald's, up 30 percent from $65.9 million in 1984 to $91.4 million; Pillsbury (Burger King), which only increased expenditures 2 percent, from $68.1 million to $69.7 million; Pepsico, Inc. (for Pizza Hut and Taco Bell), up 25 percent from $52.4 million to $65.6 million; Wendy's International, up 3 percent from $31 million to $31.9 million; and R.J. Reynolds Industries (for Kentucky Fried Chicken), up 24 percent from $17.7 million to $22.1 million.

Among the top 15 television advertisers in the industry, all increased their 1985 television expenditures, with the exception of Red Lobster Inns, which was down seven percent, and Jack in The Box, down five percent. At the same time, many of the major fast food chains increased their radio advertising as well. RAX was up over 1,000 percent, International Dairy Queen was up over 100 percent, and others intensified their radio advertising by 80 to 90 percent.

MAKING CHOICES. As the cost of prime time network television advertising continues to soar, fast food chains must decide the best ways to get the most mileage out of their advertising dollars. While few have the ability of McDonald's to virtually blanket the airwaves with daytime as well as prime time advertising, others have found advertising strategies that circumvent dollar expenditures for creative campaigns and selective media buying.

The hallmark of a well-thought out, well-executed advertising campaign rests on setting clear client marketing goals, and then advertising agency and client work closely to bring them to fruition. The cases of Burger King's "Herb" campaign, Wendy's "Where's the Beef?" campaign, and Pizza Hut's "Pizza Lovers" campaign, illustrate three very different approaches to maximizing advertising dollars and creativity for the dollar spent.

"In order to compete with McDonald's media dollars," comments Hal Friedman, senior vice president and creative director at J. Walter Thompson Co., New York, "We needed to mass our dollars into bursts of media, or media events. One of the things that event marketing has done for Burger King is to gain it a great deal of awareness and attention."

Out of that framework was born the recent Herb advertising campaign, to which Burger King committed $40 million over a period of three months. While Friedman, who created the campaign, is the first to acknowledge the complaints of its critics, he adds that some of the most severe criticism actually came from the press.

A look at how chains and agencies work together to assemble TV commercials is instructive.

An editorial in *Advertising Age*, in January of this year, was one of many articles that appeared chastizing Burger King for failing to capitalize on an opportunity to build strong product and brand awareness,which would translate into sales, in favor of generating Herb-awareness.

Burger King executives, who reported only a one percent sales increase in January as Herb embarked on his nationwide tour of Burger King outlets, respond that while sales increases are what anyone would like to see, " We've been about as high as we've ever been in terms of public awareness of the Burger King name," according to Thomas Sawyer, corporate vice president of marketing.

He added that letters to the company's public relations department ran 85 percent favorable. Video Storyboard Tests, Inc., a New York City company which monitors consumer awareness of advertising, reported that in its ranking of the "Top Ten Commercials" for the last quarter of 1985, Burger King's Herb was number six.

Adds Friedman: "Good advertising delivers a 'hard sell you love to watch,' and the Herb campaign had a lot of those trappings."

Actually, the Herb campaign, or something akin to it, had been proposed several years prior to its introduction in December, 1985. Friedman had had the idea of bringing some humanity back into Burger King ads in the persona of someone who eventually came to resemble Herb. But the success of the "Battle of the Burgers," the campaign theme at that time, put it on the back burner until now.

"Prior to Herb," adds Friedman, "we had discussed doing an 'event' that proclaimed an end to the 'Battle of the Burgers,' but we were ready for something fresh."

Herb was launched at a time when McDonald's was going full tilt promoting its new McD.L.T. sandwich, and Friedman adds that the Herb hoopla probably helped Burger King keep pace with the heavy McD.L.T. media blitz.

Herb, the nebbish who was the only person who had never tasted a Whopper, also provided an excellent opportunity for Burger King to capitalize on publicity and promotional back-up for

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TOP 10 NETWORK TELEVISION CATEGORIES— JANUARY TO SEPTEMBER 1985

	JAN./SEPT. 1984 (000)	JAN./SEPT. 1985 (000)	% CHANGE
Food and Food Products	$990,393	$1,084,471	+ 9
Toiletries and Toilet Goods	732,997	714,320	− 3
Automotive	530,012	539,375	+ 2
Proprietary Medicines	485,163	502,474	+ 4
Confectionery and Soft Drinks	320,196	329,303	+ 3
Soaps, Cleansers and Polishes	283,554	312,068	+ 10
Restaurants and Drive-Ins	270,513	301,410	+ 11
Beer and Wine	290,649	269,265	− 7
Consumer Services	260,725	184,680	− 29
Office Equipment, Computers and Copiers	251,206	180,141	− 28

SOURCE: Television Bureau of Advertising

ADVERTISING *cont. from p. 302*

the campaign. In fact, an indication of Herb's notoriety was mentioned by Freidman as one of the few real mistakes that was made during the two-and-one-half-month campaign. "We invented a place where Herb came from—Wisconsin.

"But a lot of Wisconsin people got really up in arms about that—they were offended. Finally, the governor of the state was pressured to disavow Herb!" Wisconsonites were miffed at the suggestion that their state could have intrinsically been responsible for the birth of such a nerd.

WHAT IS SUCCESS? A major problem is measuring the success of a campaign like Burger King's Herb. If fame and notoriety count for anything, it appears that the success of the campaign belonged first to Herb himself. Burger King has not yet disclosed sales for the first quarter, which will tell the full tale of the Herb campaign.

Future advertising, according to Friedman, will take less of an event approach and seek to use advertising dollars more consistently throughout the year. "We are always considering alternative media approaches," responds Sawyer.

Probably the most successful recent advertising and promotional campaign by a major fast food chain was Wendy's "Where's the beef?" campaign, launched in January, 1984. In the hotly contested arena for the biggest share of the hamburger market, both McDonald's and Burger King consistently outpace Wendy's in advertising expenditures.

Measuring the success or failure of a major fast food advertising campaign is difficult.

"We have to develop advertising that will be distinctive, but that can compete at our actual spending levels," explains Robert Reed, executive vice president at Dancer, Fitzgerald, Sample, Inc., New York, the advertising agency responsible for Wendy's national account for the past five years.

"McDonald's has the budget to go after adults and children. We try to target our advertising at the adult market. With limited resources, you have to target more clearly," he adds.

The Where's the Beef? campaign stemmed from two perceived marketing problems that Wendy's management was trying to correct. "Before Where's the Beef?," explains Mitchell, account supervisor, "our advertising for Wendy's focused primarily on unique product attributes—the advantage of fresh vs. frozen beef, the advantage of pick-up windows, and Wendy's system of fresh preparation. Where's the Beef? stemmed from perceived problems that the consumer didn't realize that Wendy's single burger was the same size as the Whopper, and also that the consumer thought it cost more. We wanted to address sandwich and price size."

Wendy's spent $50 million on the campaign—nearly half of its advertising budget for that year—and it ran over a period of nine months in 1984, beginning in January.

Until they actually went into casting for the commercial, the idea of casting the main character as an older woman had not been set. "When we saw Clara Peller, it all made sense," says Roberts.

Oddly enough, there was a line in the original commercial stating that the burger was on a light, fluffy bun, and at Dancer, Fitzgerald, Sample, that was the line they thought would hit

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LEADING RESTAURANT AND FAST FOOD CHAIN TELEVISION ADVERTISERS IN 1985

	1984			1985		
	NETWORK (000)	SPOT (000)	TOTAL (000)	NETWORK (000)	SPOT (000)	TOTAL (000)
CATEGORY TOTAL	**$352,156**	**$577,598**	**$929,754**	**$415,772,900**	**$671,970**	**$1,087,743**
1. McDonald's	162,462	91,463	253,925	184,882	117,895	302,777
2. Burger King	51,315	78,119	129,435	71,096	83,873	154,969
3. Wendy's	34,687	38,817	73,505	44,274	39,445	83,720
4. Kentucky Fried Chicken	39,158	23,680	62,839	44,564	30,701	75,266
5. Pizza Hut	18,207	39,980	58,187	18,432	44,889	63,321
6. Taco Bell	—	28,473	28,473	—	38,654	38,654
7. Hardee's	6,990	18,493	25,483	8,925	23,287	32,213
8. Red Lobster	13,592	16,154	29,746	12,882	14,831	27,714
9. Long John Silver's	—	19,643	19,643	—	26,304	26,304
10. Denny's	15,267	3,618	18,885	10,508	12,466	22,974
11. Domino's	1,954	3,798	5,752	9,297	8,077	17,375
12. Arby's	4,423	8,138	12,562	5,803	10,083	15,886
13. Sizzler	—	11,159	11,159	—	14,130	14,130
14. Jack In The Box	—	13,273	13,273	—	12,556	12,556
15. Dairy Queen	—	10,994	10,994	—	11,878	11,878

URCE: Television Bureau of Advertising

ADVERTISING *cont. from p. 304*

with great popularity, not "Where's the Beef?" It was only a short time into the launching of the campaign, Roberts recalls, that they knew "We had something really great on our hands."

According to Reed, the perception that Wendy's burger was bigger increased 50 percent, and the value perception rose 10 percent. The expression "Where's the Beef?" quickly worked its way into popular usage, even being used by presidential candidate Walter Mondale to question the "new ideas" of Senator Gary Hart in a Democratic primary debate.

"There's only one way to measure its success," gushes Dennis Lynch, vice president, corporate communications, Wendy's. "Sales were $2.4 billion in 1984, up 26 percent over the previous year. It was undoubtedly our most successful campaign ever, and possibly the most successful in the history of advertising."

Is it hard to conceptualize future advertising on the heels of such overwhelming success? "Where's the Beef? is something we continually strive for, but that type of success is a rarity," admits Reed.

Wendy's still places the majority of its advertising dollars on television for maximum exposure, but is increasingly using print—primarily magazines—to popularize its "Light Menu."

Cable television, which ultimately may become the medium of choice, is still a secondary avenue, to be entered only when appropriate. Holding back what may become the "cable revolution" is the fact that no real means of quantifying cable viewers to provide realistic demographics—like network TV's Nielsen ratings—is yet available. "Cable gets to some households where network TV has had some erosion, but network still provides the broadest reach," says Roberts of Dancer, Fitzgerald, Sample.

"SECOND-TIER CELEBRITIES." Yet a third advertising approach has been used by Pizza Hut, whose advertising agency is the Los Angeles-based Chiat/Day, Inc. The agency followed its introductory ad campaign for Pizza Hut's Priazzo product with a campaign known as "Pizza Lovers," started in February, 1985 and still running. The ads featured what Patrick J. Sherwood, vice president and management supervisor at Chiat/Day, calls a "lower level of celebrity," such as Martin Mull, Marvin Hagler, Rita Moreno, and Herbie Hancock, who just spoke about what pizza meant to them, much of it ad-libbed before the camera.

The name Pizza Hut was never mentioned, but appeared on the screen at the end of the ad. While Pizza Hut executive James D. Fisher, senior director of national marketing, will not disclose the cost of the campaign, he maintains that it was "very cost effective."

Pizza Hut chose to use less well-known celebrities for its new campaign, "Pizza Lovers."

"Pizza is a fun, shared experience—and there are great things that are part of the joy of eating pizza," says Chiat/Day's Sherwood. "We orient a lot of our advertising to the real pizza lover. If we had used real big time celebrities, people would have thought that they were being paid a lot of money to do the ads, and wouldn't have believed them. Using the people that we did, people were more likely to think, 'Yeah, they love pizza, too.'"

Video Storyboards, which measures awareness, reports that consumers found the campaign to be entertaining, honest, and treated the viewer with respect, qualities that are frequently found in Chiat/Day campaigns. "We aspire to be the best creative agency—a goal that not all ad agencies share," boasts Sherwood. The generic approach adopted by the agency is distinctive of its own creative advertising style, one that obviously meshed with the goals of Pizza Hut executives.

The success of the campaigns has helped Pizza Hut keep abreast of its staunchest competitor, Domino's, of Ann Arbor, MI. What might have been considered generic pizza advertising actually worked to Pizza Hut's advantage, maintains Fisher.

"One of our objectives was to break through the clutter of fast food advertising with a distinctive campaign. People are involved in the spots, and they care about who brought them this experience." Adds Sherwood of Chiat/Day: "It's important to take assumptive positions, to act like the leader, and to make sure the advertising is seen." Pizza Hut's primary medium is television, and Sherwood expects it to stay that way. "Our belief is in television," he says. "It has become increasingly more efficient."

Television advertising, despite the exorbitant costs, remains the primary means for larger—and even some smaller—fast food chains to get their pitch to the greatest number of people within a known demographic group. Having reached the $1 billion mark, the industry has signaled its continuing commitment to the medium, and while some tout the future possibilities of more targeted advertising via cable TV, for the time being, the focus is still on the networks. Every year, a couple of blockbuster campaigns hit the airwaves and promise their clients fame, consumer awareness, and, hopefully, increased sales.

LEADING RESTAURANT AND FAST FOOD CHAIN RADIO ADVERTISERS IN 1985

CHAIN	1984 (000)	1985 (000)	% CHANGE
Church's Fried Chicken	$2,333	$ 3,834	+ 64.3
General Mills (Red Lobster)	809	1,025	+ 26.7
W.R. Grace (Del Taco)	566	1,024	+ 80.9
Int'l Dairy Queen	261	559	+ 114.2
Marriott (Roy Rogers)	919	1,757	+ 91.2
McDonald's	3,827	5,412	+ 41.4
PepsiCo (Taco Bell)	8,792	11,338	+ 29.0
Pillsbury (Bennigan's)	7,925	8,420	+ 5.6
Pizza Hut	602	675	+ 12.1
Rax	256	3,053	+ 1092.6

SOURCE: Radio Advertising Bureau

Restaurant Business

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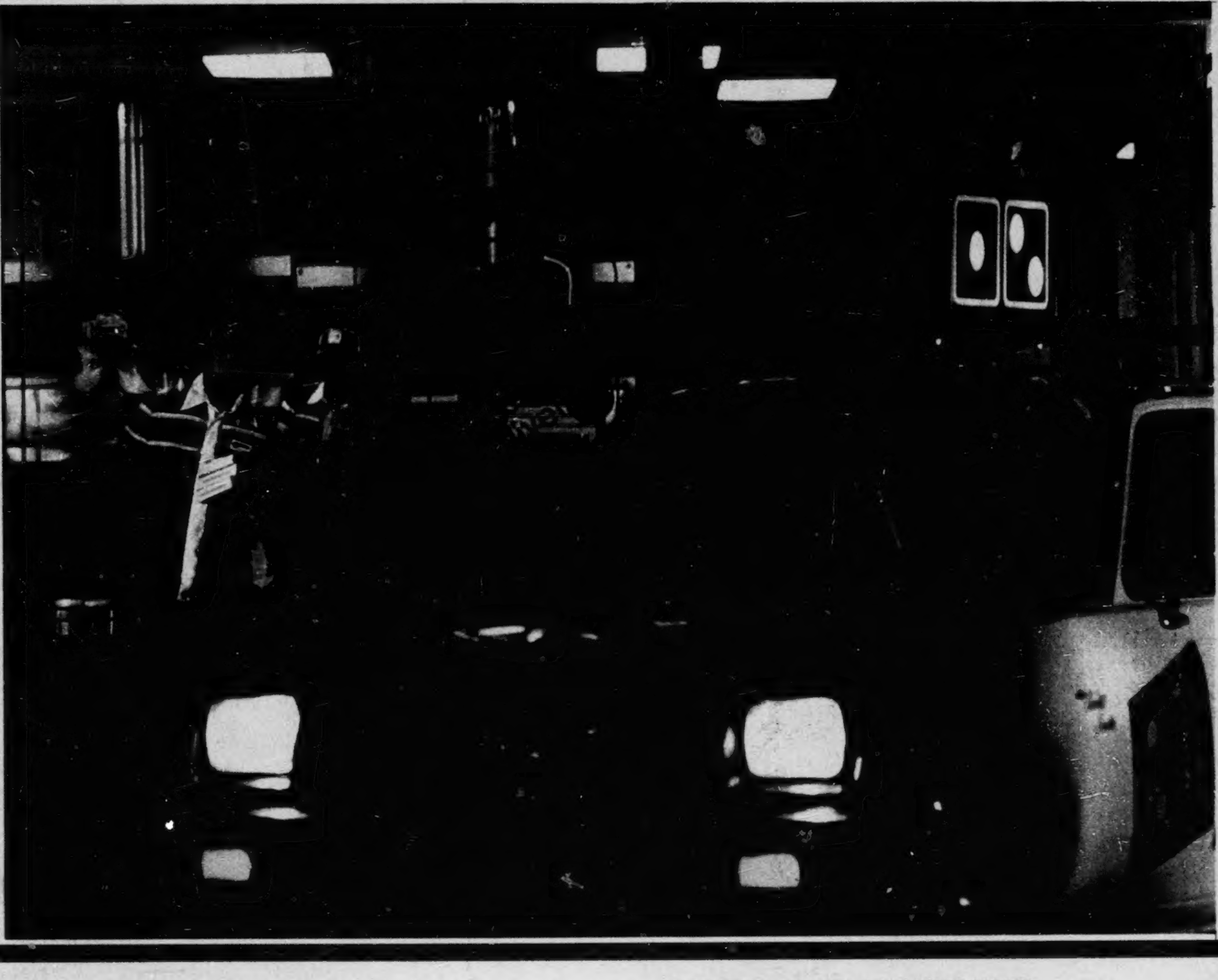
JUNE 10, 1986



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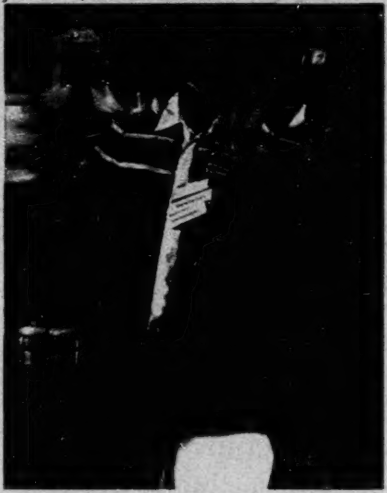

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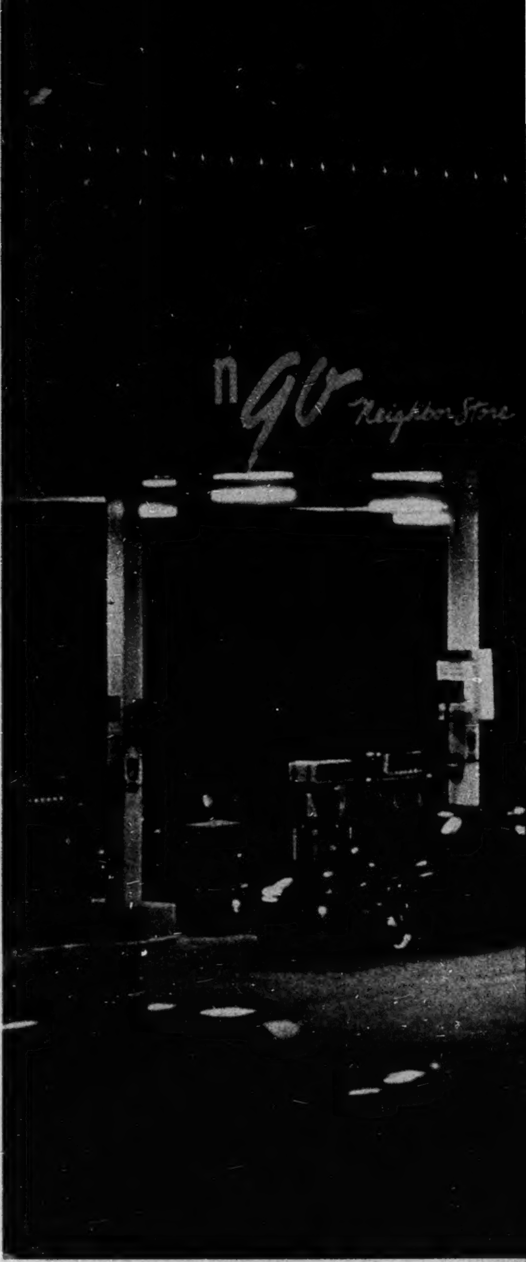
CONVENIENCE STORES:

HOW BIG THE THREAT?



For years, the fast food industry has been warned that convenience stores, with their numerous locations, were poised to take market share away from the quick service giants. But—so far at least—these dire warnings haven't come true.

By Ralph Raffio

Convenience store executives like to make plenty of claims about how they're cutting into fast food's share of the eating-away-from-home market. But exactly what impact they are having and the outlook for the future is clouded. Are convenience stores the threat some make them out to be?

Convienence stores—known as c-stores—have no doubt made substantial headway into fast food in recent years, mostly by just expanding their menu offerings. But, according to many foodservice industry experts—and even some c-store executives—the industry has still got a long way to go before being able to effectively compete with fast food.

In 1984, c-stores managed to rally a total of $3 billion in fast food sales, according to the National Association of Convenience Stores (NACS), Falls Church, VA. There's been excitement over that in the industry because those sales represent a $600 million increase over the previous year on items which contribute better margins than anything else c-stores sell. Sales in 1985 are estimated at about $3.2 billion.

By contrast, sales gains among fast food restaurants in 1985 totaled more than the whole of fast food sales among c-stores for the year, up $4.4 billion over 1984. Total fast food restaurant sales in 1985 reached $47 bilion, up from 1984's $43.7 billion.

With sales figures so commandingly unbalanced in favor of fast food, just what is it that makes c-stores a force to reckon with? Industry experts say it clearly isn't their ability to command a large portion of total fast food sales in years to come. Neither, they say, is it an ability to be better at providing quality food quickly to patrons, nor the creation of new customers that only c-stores can service effectively.

Instead, the threat c-stores pose to fast food, say most onlookers, is more annoying than that. C-stores represent yet another faction chipping away at what is already a viciously competitive fast food market by offering quick-stop shopping for the ultimate convenience-conscious consumer. By doing that, c-stores are hoping to carve out a niche for themselves—by stealing a portion of fast food's customers—at the expense of more powerful restaurant chains whose products may be superior in terms of quality. In other words, a saturated fast food industry doesn't need another kid on the block stirring up trouble, which is precisely what c-stores are doing.

Regular
Unleaded
Super
Diesel
99 9/10
106 9/10
118
110

While convenience stores offer advantages to consumers, they are sometimes faulted on food quality. Stop N Go (above) has over 1,000 locations.

Denny Lynch, a vice president at Wendy's International of Dublin, OH, discounts the c-store threat: "Anyone who can expand the market is a positive force," he says. "But I haven't seen any evidence that they are expanding the market. If they can't do that, they'll have to out-hustle us." And out-hustling an industry that markets the way the fast feeders do is difficult.

QUESTIONS WITHOUT ANSWERS. But the major point of disagreement concerns how much muscle c-stores have to flex. In competing with the fast food industry on its turf, convenience stores are going up against a competitor whose level of sophistication is far greater in both foodservice operations and in marketing. To be sure, there's also some question about whether or not c-stores are indeed stealing from fast food at all. Opinions on this vary.

"Fast food says it's not having a problem, we say we're not having a problem, but there's a few billion dollars coming out of somebody's pocket," says David Bixler, president of Denny's Restaurant Division, La Mirada, CA. "I think convenience stores are taking it out of fast food."

Bixler says c-stores are more likey to find success at breakfast than any other daypart. "There may be some opportunities for c-stores in snacks or light

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Says Denny Lynch, a vice president at Wendy's: 'Anyone who can expand the market is a positive force. But I haven't seen evidence that c-stores are doing that. If they don't, they'll just have to try to out-hustle us."

C—STORES, *continued from page 127*

lunches, but I think that would only be moderately successful," says Denny's restaurant chief. "Beyond that, the quality of c-stores' foodservice becomes a problem. But at breakfast, there are a lot of people who only want a cup of coffee, a roll, and be on their way. You don't have to be McDonald's to do a good job at that."

But not eveyone agrees that c-stores will make inroads with their fast food programs. Says one executive with a leading Southwestern fast food chain: "C-stores have wrestled with the fact that they'd like to do fast food, but they haven't had the discipline to effectively compete so far."

The strength of convenience stores' fast food programs is indeed largely centered around quick breakfast items like coffee and danish, and sandwiches during other times of the day and evening. In essence, they're selling convenience more than they are food, which is where the controversy starts.

"C-stores sell convenience first, food second," says Charles Glovsky, senior securities analyst with Alex. Brown & Sons, Baltimore. "Fast food chains approach it the other way around, and that, I think, gives them the edge."

Not that c-stores think they can rob fast food chains of great slices of their market. C-store executives don't claim to be eyeing a head-on battle with fast food, just a noticeable raid on a portion of consumers—light users of breakfast, for instance, as well as snack customers. But even those small shares of a huge market are meaningful. The industry relies, after all, on impulse purchasing, and isn't likely to change much. And, though some shifting has occurred, c-stores' customer base remains dominated by blue collar males.

ONLY PRIME SPOTS. One thing c-stores have in their favor, however, is a huge number of stores. Though store development has steadily declined in recent years, there should be around 60,000 c-stores operating by year-end. That's about half the amount of fast food outlets open, but presents a formidable competitor nonetheless.

Even though unit growth has slowed industrywide, largely as a result of consolidation among companies, c-stores being built today are only located in prime locations. Companies are only developing what are known in the industry as "A" locations, short for corner sites in high traffic areas. Many other stores are being closed, for instance, in favor of developing "A" locations, witnessed by industry leader Southland Corp., owner of 7-Eleven. Dallas-based Southland totaled 7,519 7-Eleven stores by year-end 1985, a surplus of only 46 stores over the previous year. The company opened 385 stores last year, including 67 that were relocated to corner sites. The company closed 166 store last year, and sold off 106 others.

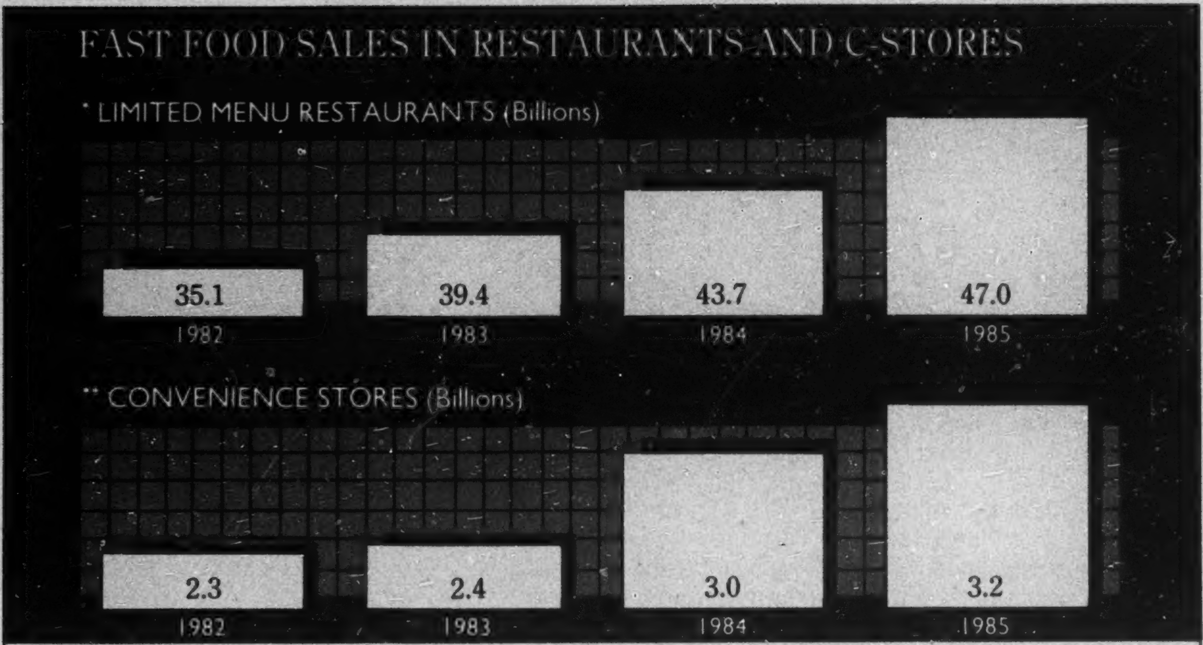
Circle K Corp., based in Phoenix, is the second largest c-store chain in the country with 3,400 units nationwide, and it too will develop only "A" locations from now on. Senior vice president, foodservice division, Steven Schwitalla, says location is the industry's key strength.

"In this respect we've got definite advantages over fast food," Schwitalla explains. "Fast feeders depend on top-of-mind awareness. We achieve that with our locations. They're highly visible."

But consumer awareness of c-stores—at least right now—has little to do with their talents at offering foodservice. Fast food is only a small portion of what c-store sell—accounting for under 10 percent of sales industrywide, according to the NACS—so it's often not given the attention at the corporate level or the marketing dollars it requires to make a greater impact. C-stores are far better known for their gasoline, groceries, and cigarettes than for fast food.

"It's true that our awareness is not now related to fast food, but that can change," says Schwitalla. "As an industry, we haven't done a very good job telling our customers what we have available in fast food. What's changing, though, is that the industry is becoming more sophisticated. We know now that we must approach the business aggressively if we're to be successful at fast food."

Which brings the conversation around to marketing, an area where fast food chains are clearly in command by virtue of the dollars they spend. Add to that the fact that c-



** Source: National Restaurant Assoc.* *** Source: National Assoc. of Convenience Stores and* Restaurant Business *estimate for 1985*

'C-stores have wrestled with the fact that they would like to do fast food, but they haven't had the discipline to effectively compete so far,' says one executive with a Southwestern fast food chain.

stores have other things to sell besides fast food, and the scale tips even further.

"C-stores just aren't as focused as fast food," says Roger Lipton, managing director of Lipton Research, a division of Ladenburg Thalmann & Co. Inc., New York City. "They're trying to be all things to all people."

C-store executives say the key to their marketing approach must be different than fast food's. "I think it would be unwise for us to take on the big fast food guys head on," says Corwin J. (Jim) Lynch, Jr., director of fast foods, National Convenience Stores Inc., Houston. "We need to use a different marketing approach. Someone going for a hamburger at lunchtime isn't going to think of a c-store. But if a person is looking for a bite to eat at three in the afternoon, we can get them. The key to marketing for c-stores is selling convenience."

Lynch says c-stores rely heavily on one-stop shopping. Gasoline is available in a majority of c-stores nationally, automatic teller machines (ATMs) are catching on fast, and so are video rentals. "We have the ability to do cross-tie promotions where fast food cannot," says Lynch. "That may not go as far as the hundreds of millions of dollars fast food spends on marketing but we think it's meaningful."

"C-stores have historically been used for quick stop, emergency purchases, and that presents a marketing problem," says Martin Venturini, vice president, marketing, Convenience Food Mart, Rosemont, IL. "It's not easy getting to the top of consumers' minds when fast food pumps so many dollars into marketing."

Instead, CFM relies on in-store marketing to promote fast food, making a strong visual impression on consumers entering the store by upgrading the fast food area. In order to gain awareness among its consumers, NCS now relies on giving away free coffee. Each day a window sign tells passersby whether or not coffee is free that day. "It gets people looking at the stores," says Lynch. "That's important for us."

Circle K's Schwitalla admits that fast food's marketing power presents a problem for c-stores, but explains that Cirle K is prepared to "fight it out in the trenches" with fast food. Along with a $140 million remodeling program—of which 60 percent has been allocated to upgrading foodservice areas—Circle K is pouring half its ad dollars this year into promoting foodservice. The company will also begin network television advertising.

PROFIT POTENTIAL. Put in perspective, there's good reason for c-stores to go after the fast food customer in whatever way they can. There's a lot more profit in fast food than there is in any product category c-stores participate in. According to the NACS, gross margins for non-gasoline products industrywide are about 32 percent, while gross margins for gasoline are only 6 percent. Averaged out, that's a total gross margin of under 22 percent.

Fast food's margins are much better, though. According to c-store executives, margins for fast food items range between 40 and 70 percent, the high being for soft drinks. On average,

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'Its true that our awareness is not now related to fast food,' says Schwitalla of Circle K. 'But we know now that we must approach the business more aggressively to succeed.'

C-STORES, *continued from page 131*

fast food programs among c-store chains frequently average out at about 45 percent gross margins.

That being the case, it's easy to understand why c-stores have targeted fast food to bolster sales and profits. Industrywide, c-stores profits were on a slide in both 1982 and 1983, showing some gains since then. But, say many onlookers, it takes a lot to make a fast food program work than better margins, and c-stores have had their share of problems making the grade. Specifically, quality hasn't been nearly on par with fast food chains.

"There's one thing c-stores don't do, and that's throw away food," says one fast food executive. "And if you're going to be successful in this business you have to be prepared to do that. That takes discipline, and I haven't seen a c-store demonstrate that sort of discipline yet."

Circle K's Schwitalla admits this has been a problem. "That's absolutely true," he says. "As an industry, we've got a retailer mentality. Waste comes right off the bottom line, and is therefore not a viable cost of doing business. We have to adapt to a foodservice mentality where waste is just another cost of doing business."

But Schwitalla also defends the industry for the sheer fact that it is different and should not be directly compared with fast food restaurant chains.

"C-store fast food is different from traditional fast food, and that's where the quality issue becomes confused," says Schwitalla. "Items are different, for one thing. We're in the sandwich business, not in the hamburger or fried chicken business. We appeal to the consumer in a different way. Quality is still a big issue, but it isn't the issue it was five years ago."

Though the industry places high priority on bolstering fast food sales, few c-stores look to do so by offering similar products to the major fast food segments. Fried chicken, hamburgers and pizza have been tried by some c-store chains, even with some success, but such items are insignificant in the larger picture.

MENU DIFFERENCES. If there's one area where c-stores can build a following, it would be fresh deli sandwiches. And most chains have already found that out. Like most c-stores, Circle K refrains from competing head-on with fast food in its products, instead relying on being different in terms of menu and convenience. The company introduced a line of freshly made low-calorie sandwiches last year priced at around $1.49, as well as a 10-oz. pizza burrito selling for $1.69.

"It's a matter of finding unique niches that aren't competitive with fast food," says Schwitalla. "That's the way to succeed in this business." Schwitalla claims that within the next few years, Circle K will be a major distributor of hot dogs—again, a product not directly competing with fast food chains.

Proving that point, at 7-Eleven stores it isn't hamburgers but hot dogs that are a big seller, an item which has eluded dominance by fast food chains on a national scale. Nachos and freshly prepared deli sandwiches have also shown promise at 7-Eleven.

National Convenience Stores, with 1,000 units open and 51 under construction, is also steering clear of fast food's burger, chicken and fish fare. Instead, NCS is targeting service delis as well. The c-store chain now has 100 delis operating with plans to expand the program gradually. A new "Hex" store—named for its hexagonal shape—has been developed for corner locations, and is expected to help boost fast food sales by allocating more space and upgraded facilities to foodservice.

"I've been given as much space for fast food as I need," says NCS's Jim Lynch. The company's fast food director claims that, within three to five years, fast food will comprise 20 percent of total square footage among NCS stores, no small factor when Hex stores are tagged for 3,100 sq. ft. of total floor space each. Some of NCS's stores offer hot breakfast sandwiches as well, such as eggs and cheese on muffins or biscuits.

Convenience Food Mart, with 1,300 stores, is also eyeing higher fast food sales. The chain is currently rolling out a line of "Deli Supreme Sandwiches" which are available with five special sauces. CFM's marketing vice president, Martin Venturini, says the spe-

Circle K will spend about $80 million to upgrade foodservice to this concept.

THE MOVIN' MEAL
Convenient
THE MOVIN' MEAL
FOR THOSE ON THE GO

Convenient Food Mart offers a package including sandwich, drink, and chips.

'C-stores just aren't as focused on fast food,' says securities analyst Lipton of Lipton Research, a division of Ladenburg, Thalmann & Co. 'They're too busy trying to be all things to all people.'

cial sauces are the key to the new deli program. "The sauces are made exclusively for us," says Venturini. "It's like Burger King's Whopper or McDonald's Big Mac. It's important to offer your customer something that's uniquely your own."

CFM recently played off another fast food marketing ploy. The chain's "Movin' Meal"—à la McDonald's Value Pack—includes a sandwich, soft drink and chips in a box designed for traveling. "It's important to offer something that can be eaten in the car," says Venturini. "Take-out is a key part of this business."

In the long run, though, Circle K's Schwitalla doesn't think c-stores will noticeably cut into fast food's crucial drive-thru business. "A significant portion of c-store sales are impulse sales, which means we depend on getting customers into our stores," explains Schwitalla. "Drive-thru sales are a pre-determined situation because the customer can't see anything when he orders. In that sense, we don't think we can pull business from fast food's drive-thru sales."

NO WORRIES. With fresh delis cropping up all over the c-store universe, it would be logical for sandwich chains to be worried.

Not so, according to Fred DeLuca, general manager of Subway Sandwiches & Salads: "It's important to us that a lot of people get into the habit of eating sandwiches," says DeLuca. "With all those c-stores offering sandwiches now, it will increase our segment's share of the total fast food market. We see it as a big plus for the sandwich shop business." Based in Milford, CT, Subway is the nation's largest sandwich shop chain with 600-plus units. According to DeLuca, Subway sales are running 12 percent ahead of last year.

Though c-store and fast food executives remain closemouthed about the possibility of teaming up in the future, some industry onlookers think this will be an emerging trend.

On the West Coast, Winchell's Donut House, a Denny's subsidiary of over 700 units, recently teamed up with Atlantic Richfield Co.'s am/pm c-stores. Winchell's donuts are now in test at some am/pm stores in Los Angeles, though the company hopes to place itself in 250 stores sometime down the road.

Hardee's Food Systems Inc., of Rocky Mount, NC, the fourth largest hamburger chain, recently signed a licensing agreement with 7-eleven. A test begins this month.

"We've talked to c-store companies, and we'd like to try something this year," says Robert M. Rosenberg, chairman and chief executive officer, Dunkin' Donuts Inc., Randolph, MA.

Rosenberg adds that over 100 Dunkin' Donuts franchisees now supply c-stores, though the products are unbranded.

"I don't think that's the best way to do it," Rosenberg adds. "If you have a name brand you should use it."

"Fast food chains can bring a discipline to c-stores as well as a national flag to run up their mast," says one fast food executive. "I think you'll probably see some teaming up occurring. It's very much like when fast food chains started hitting the turnpikes. Those were untraditional locations that offered some real opportunity, and so are c-stores."

Circle K's Schwitalla says he's talked to fast food chains about teaming up already, including McDonald's. "At this stage, all we're doing is talking," he says. ■

THE TAX BITE

BY IRVING BLACKMAN

PLAYING AUDIT ROULETTE WITH THE IRS

The game goes on. You file; the IRS examines. During 1985 a total of 1.26 million individual income tax returns were subjected to the displeasure of an IRS audit. Overall, this means that 131 returns out of 10,000 filed were examined in 1985; up a bit over the 124 per 10,000 in 1984.

But don't get overconfident that these low percentages apply to you. The higher your income, the greater the interest the IRS has in paying you a visit.

To give you an idea of the massive task the IRS has each year in tracking down tax cheats, the Service received 96.5 million individual returns in 1985, plus millions more of corporation, partnership, and trust returns.

The chances of having your business or company audited decreased dramatically in 1985, compared to 1984, especially for smaller corporations. However, your chances of hosting an examining agent in 1985 increased if you operated a larger business.

And to each reader who ends up facing the dangers of an IRS tax audit, good luck!

CHANCES OF BEING AUDITED

Total Personal Income	**Chances in 10,000**
$10,000 to $25,000 (no intemized deductions)	167
$10,000 to $25,000 (inc. intemized deductions)	64
$25,000 to $50,000	202
$50,000 and over	353

Non-Corporate Business (Income—Schedule C)	**Chances in 10,000** 1985	1984
Under $25,000	145	143
$25,000to $100,000	255	256
$100,000 and over	540	530

Corporations (in assets)	**Chances in 10,000** 1985	1984
Under $100,000	93	112
$100,000 to $1 mil.	174	259
$1 mil. to $10 mil.	689	930
$10 mil. to $100 mil.	2,976	2,527
$100 mil. and over	8,629	7,095

DIVORCE CAN BE A TAXING SITUATION

One of the sad (or happy, for some) facts of American life these days is the high divorce rate. As if the mental and emotional turmoil weren't enough to handle, divorce has some sharp tax points that are capable of inflicting additional pain. Many of these tax points deal with the new alimony rules that became effective for divorce agreements signed after 1984.

Let's take a look at some of the new alimony rules. First, the payments must be in cash; a transfer of property, such as a house, stocks or bonds, does not qualify as alimony. Next, the payments must be paid (and received) according to a divorce or separation agreement. Warning: If the agreement states that the payments are nondeductible (or nontaxable), they do not qualify for alimony for tax purposes. Now, the most important no-exception rule: If the alimony is deductible by the paying spouse, it is taxable to the receiving spouse.

Another rule involves the divorcing parties' children. Suppose that an agreement specifies that payments will be reduced by a fixed amount after an event that relates to a child (for example, the child marries or turns 21). The reduction amount is treated as child support and is not deductible alimony.

The person paying the alimony and the person receiving it must not be members of the same household, except in very limited situations. This new wrinkle was passed because Congress felt that the courts were getting too liberal in allowing alimony between ex-spouses who continued to live under the same roof due to economic circumstances.

Two major changes in the alimony rules deal with payments that total over $10,000 per year: the minimum-term rule and the front-end loading rule. Under the minimum-term rule, if payments exceed $10,000 in any one year, the excess is not deductible alimony, unless some payments are made in each year for at least six years immediately following the divorce. However, even if the rule is broken, the first $10,000 of payments in each year is deductible.

The front-end loading rules are a complex nightmare. If alimony payments in a particular year decrease by more than $10,000 from the prior year, a to-be-computed difference is not alimony at all, but a new tax creature called "alimony recapture amount." You won't believe the result: This amount becomes income to the ex-spouse who originally deducted it and a deduction to the ex-spouse who originally included it as income. The calculation must be made every year. Fortunately, the rule does not always apply—for example, where payments are being made under a temporary agreement, if the agreement allows fluctuating payments, or the recipient has remarried.

TIME TO AMEND YOUR PROFIT SHARING PLAN

This article is a warning and a necessary reading if you have a qualified plan. The IRS is on the warpath. Your qualified plan must be brought into compliance with a host of new

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The author, an attorney and CPA, is senior partner at Blackman, Kallick and Co., Chicago, and author of "Winning at the Tax Game."

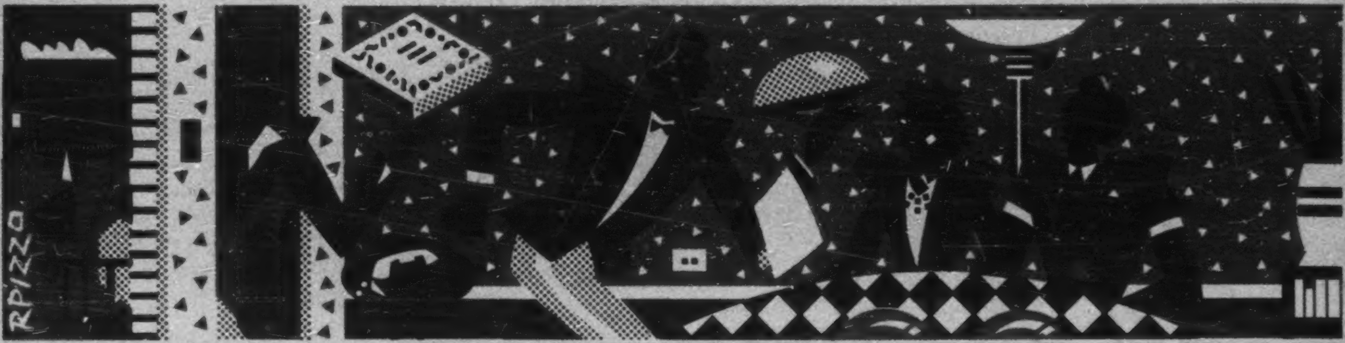
ILLUSTRATIONS BY ROBERT PIZZO

TAPPING THE AT-HOME MARKET

The potential market for food prepared on premise for consumption off premise—take-out and delivery—is getting truly enormous.

home is where the heart of an important new sociological trend lies, and savvy foodservice entrepreneurs are taking advantage of the business possibilities that supplying fully prepared foods to the at-home consumer represent. Take-out and home delivery are enjoying increasing demand as more Americans enjoy the fruits of their labor at home, but like any new venture, the at-home market must be carefully considered. Packaging, distribution, and quality control are just some of the questions that must be answered in order to tap the lucrative at-home market. Fast food outlets with drive-thru windows are already positioned to offer take-out, but there are opportunities for other segments as well. And while Domino's took an early lead in delivery, the field is wide open.

BY SARAH PERSON



The growing popularity of VCRs and other stay-at-home forms of entertainment, coupled with a demand for convenience, spells opportunity for take-out and delivered foods.

It's a typical Tuesday evening, and Mr. and Mrs. Baby Boomer and their two children are gathered in the living room, pondering over which rented videocassette movie they should watch on their VCR. The question of dinner has come up, but the answer is an easy one—they're going to have it delivered to their home.

The question of what to have for dinner is an old one, of course, but the answers that today's fast-paced, convenience-seeking consumers are coming up with are new, with dramatic implications for the foodservice industry. Rather than buying food at the supermarket to cook at home, people are choosing, with increasing frequency, to take home already-prepared foods and serve them for dinner, or order into the home via home delivery. And the potential sources for that Tuesday evening dinner are no longer simply a fast food or family-style restaurant: They are as varied as the local white tablecloth restaurant, gourmet food store, employee cafeteria, supermarket, convenience store, or any one of a number of places that have begun catering to the at-home market.

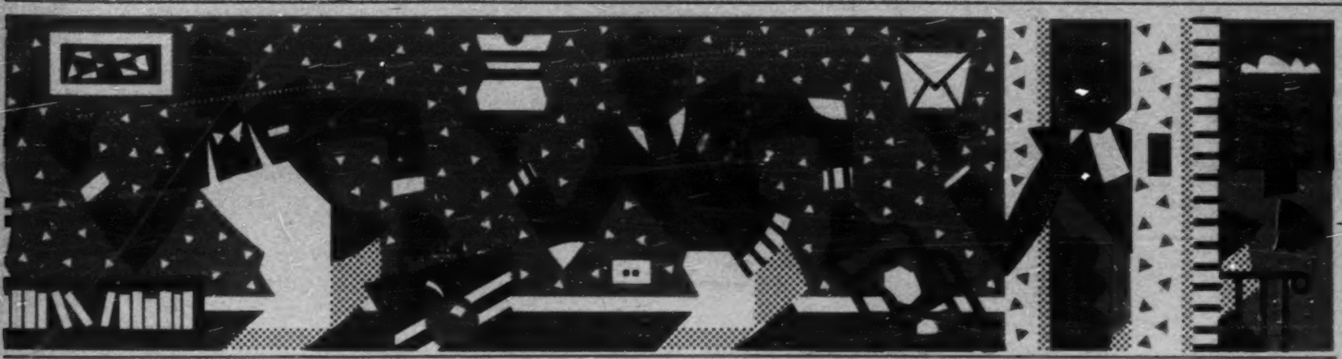
THERE'S NO PLACE LIKE HOME. Tapping this potentially lucrative at-home market is the future for the restaurant industry, according to industry analysts. Restaurants typically achieve success by offering quality food and service at a price which represents some degree of value to the consumer. But the American home can also provide that, and more—comfortable surroundings, pleasant ambience, entertainment, and most importantly, superior price/value. It is also far more convenient to stay at home, and more predictable.

"The consumer has experienced the restaurant market during a period of 15 to 20 years of saturation, in the broadest range of restaurants, and he knows what's out there," explains George Rice, president and CEO, GDR/CREST Enterprises, part of the NPD Group of Companies based near Chicago. "He knows what to expect and how to differentiate quality, and now he has a choice and the wherewithal to make it. This consumer has no qualms about staying home."

Rice and other market researchers maintain that there is a broad shift in society's attitude about the home. "The home is viewed as a refuge from the daily pressures of life," maintains William C. Hale, senior vice president, Agribusiness Associates Inc., a management consulting firm based in Wellesley Hills, MA. "Consumers are spending their hard-earned money to make home even more comfortable, a haven from all the pressures of a modern, fast-paced lifestyle."

Home entertainment, in the truest sense of the word, has become a part of daily life, encouraging a stay-at-home attitude. Cable industry analyst Paul Kagan, founder of Paul Kagan Associates, Monterey, CA, predicts that 70 percent of American households—a total of 70 million of them—will own VCRs by 1990; 29 percent of all households already have VCRs today, versus just three percent five years ago. At the same time, VCR tape rentals have skyrocketed into a multibillion dollar industry, and projections suggest that this will continue. Meanwhile, according to the Motion Picture Association, attendance in movie theaters declined by 12 percent in 1985.

Furthermore, the microwave is making eating at home more convenient.



By the end of 1986, market penetration for microwave ovens is projected to hit nearly 61 percent of all households, with 53.8 million ovens in use, according to one manufacturer.

Taking into account these trends, Agribusiness Associates predicts that by 1990, 25 percent of all meals eaten in the home will be purchased fully prepared, creating a tremendous new window of opportunity within the industry. These meals will either be purchased as take-out food, or delivered to the home.

Fast food outlets with drive-thru windows are already well positioned to meet the demand for take-out food and delivery is available through a handful of purveyors—notably Domino's Pizza and the local Chinese restaurant—but the sophisticated, always price-conscious consumer is becoming increasingly interested in variety in the food he eats—at home as well as away. According to George Rice, Bill Hale, and others, the savvy entrepreneur will start to focus his attention on how he might best capture a portion of this market for food prepared on premise for consumption off.

Though the road to the at-home market is paved with potholes—among them problems in speed of delivery, customer satisfaction, methods of distribution, and packaging—it is also a road paved with potential profits, as Ann Arbor, MI-based Domino's Pizza has demonstrated. With over 3,000 units, Domino's is the acknowledged leader in home delivery, and has put the pizza business ~~on the~~ at-home map, but the opportunities abound for all types of take-out/delivery food outlets, and the time to get in is soon.

Observes Bill Hale: "The consumer's thinking is 'do I want to eat out tonight or eat home?' If he decides to stay home, a restaurant with a take-out or delivery option stands a chance of getting that consumer."

DELIVERY FEVER. Thus far, the delivery-only market has been dominated by the pizza segment, notably Domino's, but the delivery business—especially for pizza—is beginning to swell rapidly.

Pizza Hut has begun home delivery, with about 800 delivery-only units scheduled to be in place by the end of 1986. Larger markets will be served by Central Order Taking Stations (COTS), which can be reached from anywhere in a city by dialing one number, and which automatically direct the order to the closest unit. Bloomington, IN-based Noble Roman's has begun offering pizza delivery—called Mobile Roman's—in eight markets. Little Caesar, with about 1,000 units, has also built its business on carry-out.

But Domino's remains, thus far, the benchmark, unequaled in home delivery. How do they do it?

"One of the big factors in our success is that we have kept the menu simple," maintains Domino's regional vice president David Smith. "We offer pizza and only one beverage. That way, we are able to focus on one concept: delivering our product within 30 minutes. We are consistently advancing the technology of our ovens, and are always looking for ways to shave seconds off the process. We've got it down to 60 seconds from order to oven, and every step of the way, we pride ourselves on an in-store urgency to get that pizza delivered within the promised time frame. Eighty percent of the business comes in during 20 percent of operational hours, from dinner to 9 P.M., and we spend a lot of time preparing for that rush so that we can keep our part of the bargain." Smith stresses what operators getting into home delivery should always remember: "The job of getting the product out in thirty minutes is accomplished in the store, not on the delivery route."

In addition, Domino's is testing a one-number central ordering system in about 10 to 15 markets to speed up delivery from the closest unit. Because the system transfers orders to the appropriate unit via computer, it elimi-

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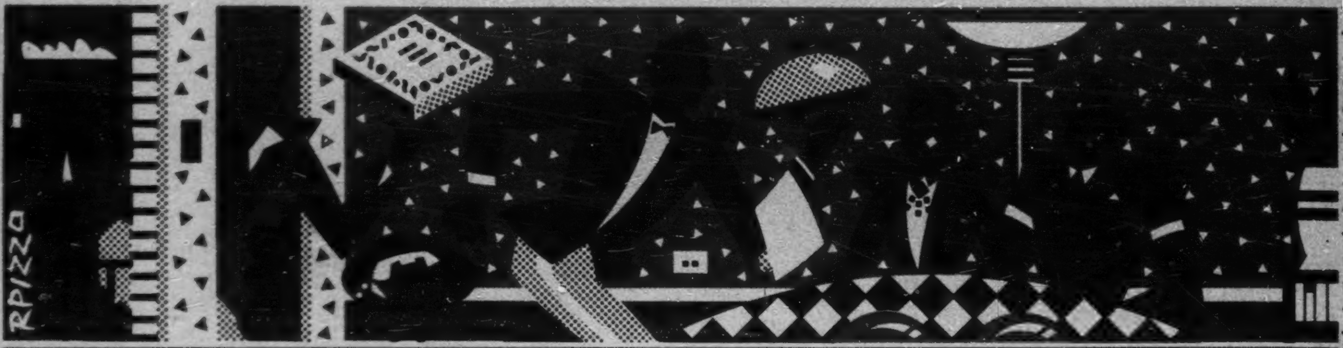
POLCARI
POLCARI

John B. Polcari & Sons, a restaurant/groceria located in Boston, counts approximately 20 percent of its sales from retail and take-out business. Sophisticated menus and merchandising attract a target market of affluent young professionals.



Proper packaging and merchandising of foods, as well as strategic location of outlets, are important considerations for success when developing take-out.

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nates, providing a cost-cutting factor in addition to saving time.

Market studies have shown that consumers are willing to purchase a wide variety of items for home consumption. Tony Roma's, a barbecue chain out of Dallas, has been doing home delivery out of 42 existing units for the past year, and according to William E. Eskew, vice president, marketing, has had "substantial, incremental increases in sales. We saw it as a basic opportunity to satisfy consumers' needs for convenience."

Roma's home delivery service offers the basic Tony Roma's menu, and items are supplied from the same kitchens which service the restaurants, which can often cause logistical problems if the dinner rush hits both dining room and delivery service at the same time. The company is looking into adding additional broiler/fryer capacity in existing units to solve this problem. Items are packaged in insulated packaging, and delivered to the home by car. "Getting the food there within half an hour is an ongoing challenge that we face," explains Eskew, as it is for many foodservice operators jumping on the home delivery bandwagon. The company also checks back with customers to assess satisfaction. Feedback on the speed of delivery and service is essential for any operation in home delivery.

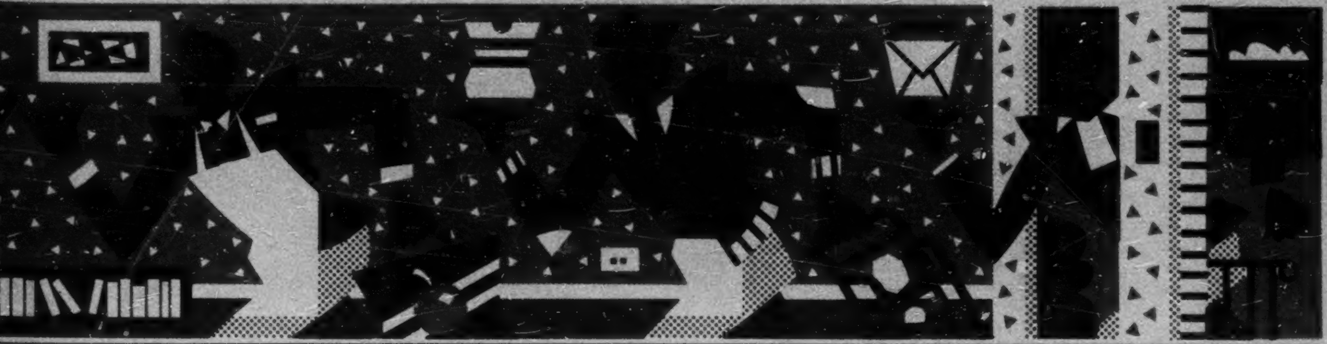
DINNER EXPRESS
DINNER EXPRESS
DINNER EXPRESS
DINNER EXPRESS

ARA Services' Dinner Express take-out program is aided by a well-developed packaging and marketing concept. The program accounts for as much as 10 to 15 percent of sales per unit and is in approximately 60 of ARA's contract locations nationwide.

DEDICATED FOR PROFITS. The potential for profits in take-out has already been widely demonstrated by the chains' success with the drive-thru window (which accounts for as much as 50 percent of sales on a general, industrywide basis). But the real profits in exploiting the at-home market, as evidenced by the outstanding success of Domino's, is realized in dedicated, stand-alone home delivery and take-out units. Costs of installation, operation, and labor are reduced in comparison with units specializing in on-premise dining, thereby increasing profit margins.

Agribusiness Associates prepared comparative investment and sales potential data exclusively for *Restaurant Business* which clearly illustrates the economic advantages of a dedicated home delivery unit versus a freestanding quick-service unit with both eat-in and take-out functions (see table page 255). Space requirements for a dedicated home delivery unit are half of those for an eat-in establishment, while total fixed investment is drastically reduced (for facilities and equipment), and return on investment is two to three times as high for the dedicated unit.

John Jay Hooker, chairman and founder of Hooker Enterprises, Inc.,



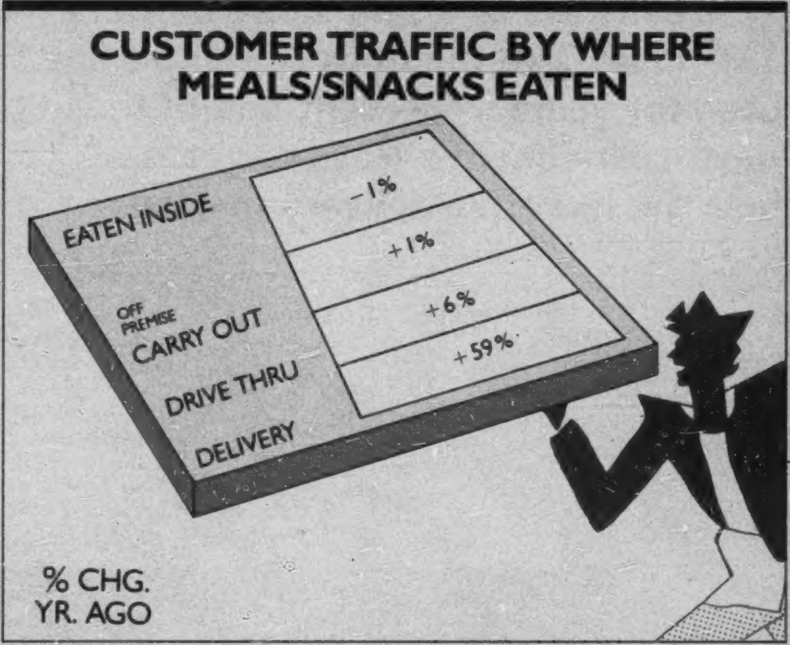
Nashville, TN, has big plans for a dedicated take-out/delivery-only concept. There is currently only one Hooker's Hamburgers unit open in Nashville, but franchisees have signed commitments for more than 500 units. Hooker's plan is to open dedicated mini-units—tiny, 320-sq.-ft. kiosks with double drive-thrus—and sell hamburgers and beverages, as well as convenience store items and videocassette rentals. Plans call for the opening of two units in 1986 and 50 in 1987, with substantial growth after that.

"There is already an enormous amount of 'home delivery' today," observes Hooker, "except that the consumer is doing the delivery himself by taking the product home. I just want to change the messenger."

Hooker cites the cost efficiencies of operating dedicated delivery units as an added factor, because he is also attempting to undercut prices of competitive hamburger chains. A prototype unit with kitchen will cost $100,000. Delivery trucks will cost $10,000, and units will service a three-mile radius.

However, the economic advantages of adding incremental delivery service to an existing eat-in business are not to be discounted. Agribusiness Associates' comparative cost structure for an existing quick-service unit versus one with home delivery added clearly show the potential for increased after-tax profit (see table page 254).

Convito Italiano, with two units in the Chicago area, has added home delivery from its restaurant units, which has boosted sales by approximately 15 percent overall. Approximately 200 items—everything from soups to sandwiches, salads, and gourmet entrees—are available, and average checks for delivery are about $15 to $25, according to Reysa Samuels, store manager. All items are sold by the pound. "The bulk of our deliveries are people who have called in the night before, and we do a lot of catering for home entertaining as well as corporate lunches," says Samuels. "It's a consistent business too: We do a pretty steady volume throughout the week."



SOURCE: CREST

ROLLING INTO BUSINESS. Noble Roman's has begun using radio-dispatched trucks that carry pizza inventory on the trucks in holding ovens, in approximately eight markets, and have found them to be enormously successful, particularly with the college market—a significant audience for pizza delivery. The trucks allow the operation to circumvent its own kitchen, and deliver orders directly using inventory held on the truck.

Noble Roman's trucks contain a patented stainless steel holding oven with humidity and thermostat controls, which provide a static environemnt for handling and holding. (The presence of carefully regulated levels of humidity prevents the product from drying out.) About 1,200 such vehicles are presently in operation around the country, according to Dennis Anderson, vice president, operations, Mobile Systems, Inc. (see accompanying sidebar, page 251). An additional advantage of the trucks is that they are custom designed with the operator's logo, and therefore afford substantial, mobile billboard advertising as they cruise around town.

Though pizza is an obvious product for delivery, other kinds of chains have gotten into the fray. For instance, Burger King, Corp., Miami, FL, has been testing a fleet of 20 "burger busses," mobile delivery units that can be driven to high traffic locations and events.

ETHNIC AT HOME. The enormous recent popularity of Mexican food has helped fuel home delivery ventures in that segment. Mexigo, in New York City, presently has one unit in operation, and three more are planned to open in New York within the coming year. In addition, units are pending in

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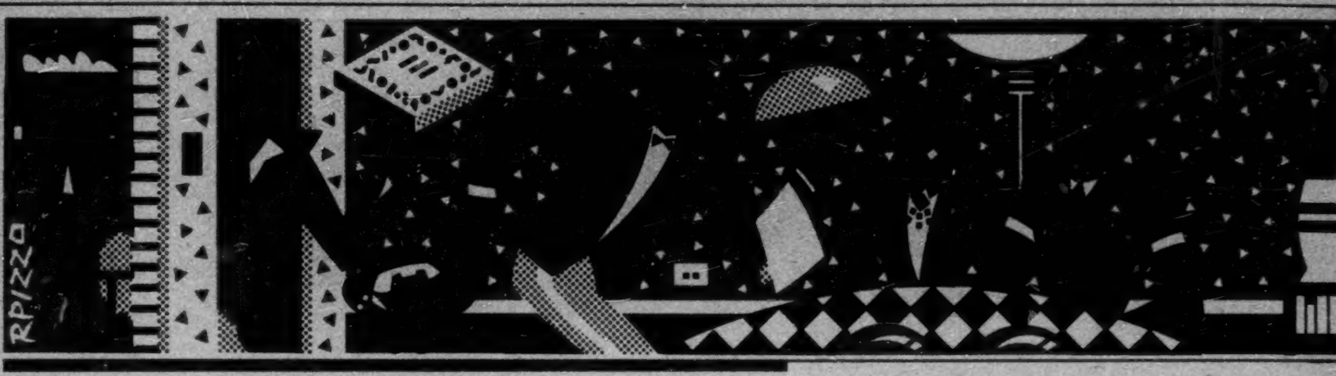
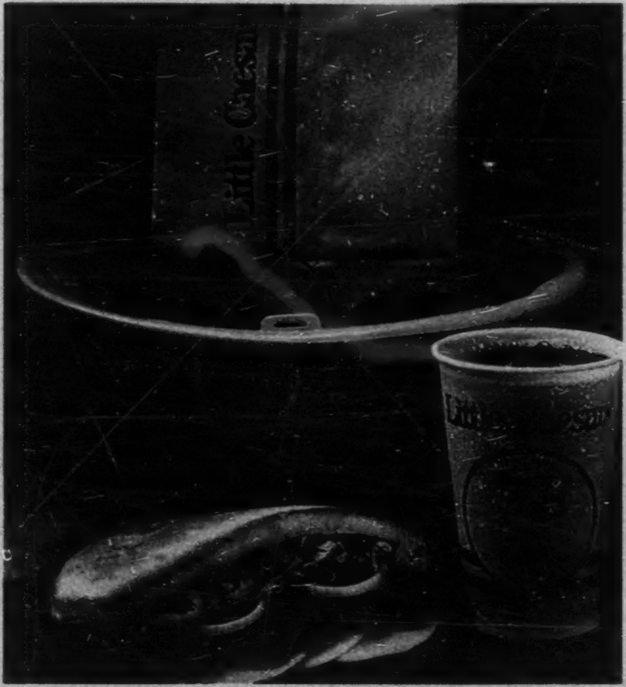


Dedicated or stand-alone delivery units, like the ones Domino's has used for years, represent one of the most cost-effective ways to get into the lucrative delivery market.

Washington, DC, and Florida.

"We think we need to be in dense urban markets to succeed," explains Bruce Galloway, partner in the venture with Barbara Lieu. "Our target market consists of professionals in their mid-thirties and families." The one New York unit, 620 sq. ft. with limited seating, opened in January 1986, and is generating sales of $1,200 per day. Galloway projects sales of $450,000 to $500,000 for the initial unit in the first year, and $2 to $2.5 million annual volume for four units.



Little Caesar's take-out lunch program is slugged "Lunch is in the bag" and features six options including the Italian sandwich and 16-oz. drink shown right, a small Greek salad with drink, two slices and a drink, and its signature "best pizza in town."

McFaddin Ventures, Inc., Houston, known primarily for its club-style restaurants, also hopes to crack the delivery/take-out market via its new Ninfa's division; the company recently acquired franchise rights to the Ninfa's Mexican dinner house concept and has been using the expertise of the founding Laurenzo family to get into a variety of specialty foodservice concepts. Eight Ninfa's Express units, offering both drive-thru and delivery of Mexican food, are slated to open in Austin, TX, this year. The first unit is scheduled to open in July. The concept calls for units of about 1,000 sq. ft., with no seating, and will be developed both as freestanding units and, possibly, in shopping centers. Foods offered will include Mexican-style chicken, fajitas, tacos, etc. "We will eventually go to mid-size cities, and build up our strength for advertising," says Roland Laurenzo, senior vice president, foodservice. "We know we have to appeal to the middle class."

TAKING IT OUT. The potential for building volume from take-out is marked. Chez Melange is a 72-seat restaurant in Redondo Beach, CA, that recently added a gourmet take-out store in an adjacent, 800-sq.-ft. space that became available. Opened in December 1985, the operation is called Chez Allez, and sales have been running at $30,000 a month since it opened. Total restaurant sales are $2.5 million.

"Rather than enlarge the restaurant, which we felt would impair the quality and service, we decided to add on the gourmet business. This way, our growth can be infinite," explains partner Michael Franks. "We figured that our customers need to eat 14 meals a week, so we thought 'Let's try and get them again'."

Chez Allez sells foods at room tem-

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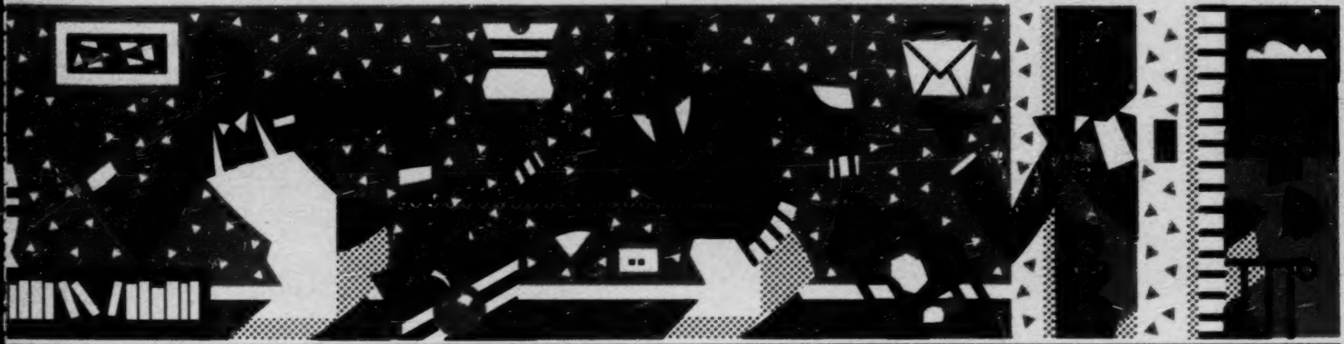
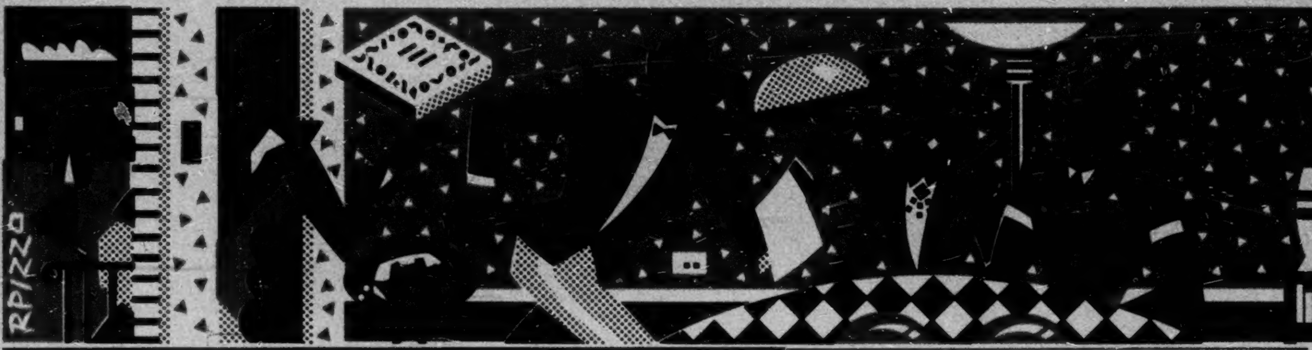


FREQUENCY OF PURCHASING TAKE OUT FOODS AND BEVERAGES AT ALL TYPES OF ESTABLISHMENTS

Demographic Characteristic	Frequent User	Occasional User	Infrequent User	Non-User
SEX				
Male	53.2%	20.9%	9.2%	16.7%
Female	58.3	20.1	8.7	12.9
AGE				
Under 18	51.0%	17.3%	4.1%	26.6%
18-24	87.7	9.6	1.4	1.3
25-34	76.8	17.5	4.0	1.7
35-44	72.2	17.3	4.9	5.6
45-54	53.8	24.3	11.2	10.7
55-64	43.9	30.6	12.2	13.3
65+	30.3	18.8	16.0	34.9
FAMILY COMPOSITION				
Single	57.5%	20.4%	9.0%	13.1%
Married, no children	44.3	20.8	12.1	22.8
Family, youngest child under 6	58.6	17.3	8.7	15.4
6-12	65.7	19.9	3.4	11.0
13-17	65.3	21.5	7.0	6.2
18+	57.6	21.0	9.5	11.9
REGION				
Northeast	54.7%	21.1%	9.1%	15.1%
Midwest	50.3	19.4	9.7	20.6
South	63.7	17.8	6.8	11.7
West	54.0	25.1	10.9	10.0
FEMALE EMPLOYMENT				
Full time	69.2%	17.9%	6.3%	6.6%
Part time	58.1	26.9	8.8	6.2
Not employed	43.9	20.7	10.4	25.0
HOUSEHOLD INCOME				
Under $10,000	48.1%	22.9%	8.4%	20.6%
$10,000-$14,999	57.6	15.8	5.8	20.8
$15,000-$19,999	51.0	29.0	7.0	13.0
$20,000-$24,999	65.2	16.5	7.0	11.3
$25,000-$34,999	57.5	21.0	10.3	11.2
$35,000-$49,999	65.6	14.5	11.3	8.6
$50,000 and over	45.4	26.4	10.9	17.3
HOUSEHOLD SIZE				
One	57.5%	20.4%	9.0%	13.1%
Two	48.3	21.4	11.3	19.0
Three	59.9	20.3	9.4	10.4
Four	62.8	17.6	7.0	12.6
Five or more	60.3	22.3	3.3	14.0
FREQUENCY OF EATING OUT				
4 or more times a month	65.6%	18.1%	6.7%	9.6%
2 or 3 times a month	58.7	19.6	8.5	13.2
Once a month	46.1	26.2	10.0	17.7
Once every other month	28.8	35.6	16.9	18.7
Once every 6 month/once a year	25.0	20.0	23.3	31.7
Never	•	•	•	•
TOTAL RESPONDENTS	56.0%	20.4%	8.9%	14.7%

*Sample size too small for analysis.

SOURCE: GDR/CREST



Understanding the much-discussed Baby Boom generation and its demands and tastes is central to the development and implementation of a take-out or delivery service.

perature to be taken home for reheating, offering both fully prepared entrees, or individual items with instructions on how to prepare them. In order to avoid competition with the restaurant, the take-out shop's menu items are somewhat different, and include things like enchiladas, Cajun meatloaf, fourteen types of salad, and pasta, as well as wines and packaged foods. Franks has found that Chez Allez is less labor-intensive than the restaurant and additional costs to run the operation are low in relation to the total. He adds, "One of our best competitive advantages is personal service, which you can't get in a supermarket."

Contract caterers, realizing they have a captive market at their employee cafeterias, have also begun to address the at-home market by offering dinner items for take-out. ARA Services, Inc., Philadelphia, PA, has been successfully operating its "Dinner Express" program out of about 60 contract locations for the past two years. Bernie Wallerich, vice president, marketing service for the Business Dining division, reports that take-out can account for incremental sales increases of up to 10 to 15 percent per unit; soups, salads, entrees, baked goods and Mexican entrees are among the most popular items and average check for take-out orders is $4 to $5. A total packaging concept has been developed to support the program.

"The biggest problem is where to locate the take-out service," says Wallerich. "It has to be somewhere convenient—you can't expect employees to run back upstairs to the tenth- floor cafeteria when they're rushing to leave at the end of the day, so we try to place units near exits. It's a real sales process, and you have to educate the clients. When employees already may be eating one or two meals daily in the cafeteria, why should they eat a third meal from there? The product has to look beautiful and be appealing in terms of quality and selection. You have to understand what the consumer really wants to buy."

The company's Araserve division, meanwhile, is courting the college market through its Itza Pizza mobile cart/delivery program.

UPSCALE. At the more upscale end of the take-out market, restaurants can realize substantial profits by capitalizing on take-out business, and many report that they see sales figures that do not detract from on-premise restaurant sales. John B. Polcari & Sons, Boston, is both a restaurant and groceria; combined sales for both are projected at $2 million for this year. About 20 percent of the operation's volume is generated by retail and take-out sales, with approximately 70 percent of take-out sales at dinner. The groceria also does limited local delivery.

The groceria offers fully prepared take-out dinners, priced $7.95-10.95; the selection includes such items as yellowtail tuna stuffed with smoked gouda, fettucine with lobster and cilantro pesto, blackened mako shark, and mesquite-grilled lobster sausage. Average check is $7.

"A good restaurateur will listen to the consumer," explains Paul Kruzel, manager, of Polcari's appeal. "We're located in an area that has undergone tremendous renovation, with luxury condo units. Everyone has gone after the Yuppie market, and that's a big audience for us, too."

Advertising is a critical element in a

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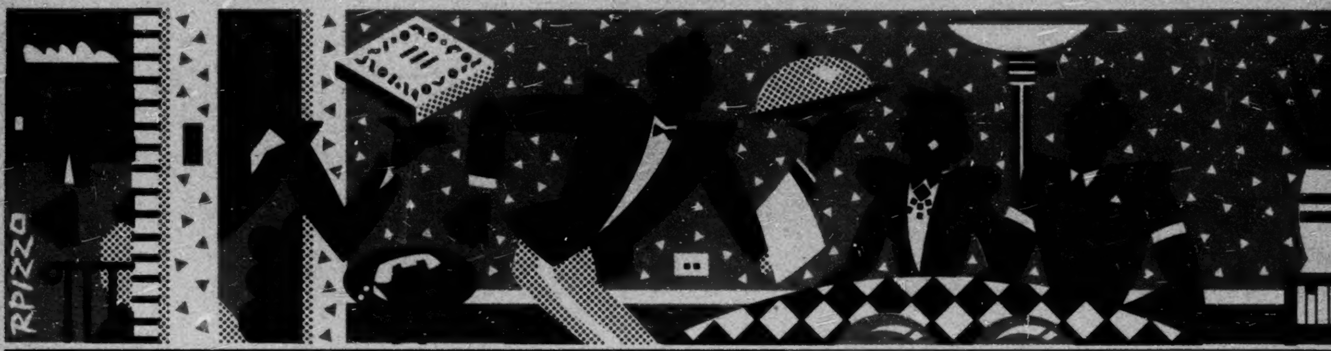

Supermarkets and convenience stores are also attempting to tap the market with gourmet prepared foods and by stocking shelves with high quality frozen dinners.

successful take-out or home delivery operation, a point often overlooked by many operators. Mailers and flyers can be compiled from records of customers' orders, and delivery trucks often carry bold advertising signage, but a restaurant that adds on a take-out or delivery business must still publicize both elements of the business to remain successful: Neither service is truly top-of-the-mind for consumers at this stage.

"Consumers are open to a wide variety of delivered items, for instance," says William Hale, "but right now, if it's not pizza, they don't expect it to be delivered. You have to publicize, and there's a lot being done with computers and home delivery to capture names and addresses for direct marketing."

WRAPPING IT UP. Packaging is also one of the integral challenges of any take-out/home delivery business, both in terms of maintaining quality levels during transport and helping to establish a distinctive concept. Herb Sedler, president, Paper Enterprises, Inc./Elaine Products, New York City, advises that for the delivery of hot items, "the delivery system has to get it there hot, not the packaging. Traditionally, packaging is about six percent of a total budget, but can vary according to needs."

Sedler is emphatic about the need for upscale packaging for gourmet units. "The gourmet market is wide open. It's disgraceful for a high-end gourmet store to use the same packaging as a fast food unit." One of the most important things to remember when developing packaging, adds Sedler, is to establish a strong theme, and maintain it graphically throughout all packaging.

UNDERSTAND THE MARKET. The strength of any take-out and home delivery business is most certainly based on understanding the operational and logistical elements of food preparation, delivery systems, customer satisfaction, promotion and advertising and the enormous potential in this growing market. The potential for profits, in lower overhead and fixed costs, make it enormously appealing, but foodservice operators should understand their particular niche in the vast market before attempting to satisfy the growing demands of the at-home market.

For instance, it is important to understand just what role the supermarket plays in the competitive picture.

In the quest to become, as one industry observer puts it, "the queen of one-

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Itza Pizza represents another one of ARA's attempts to tap into the at-home market, in this case the college market served by the company's Araserve division. Itza Pizza is served off a mobile cart or delivered, and has boosted sales significantly on campus.

ESTABLISHMENT WHERE TAKE-OUT FOOD WAS PURCHASED-BY REGION+

	TOTAL 1985			
	REGION			
	EAST %	MID-WEST %	SOUTH %	WEST %
Fast food restaurant	48	63	67	51
Family restaurant	7	8	6	5
Supermarket/grocery store deli	5	6	5	8
Take-out food store	6	8	4	10
Deli (not in supermarket)	11	2	4	4
Chinese restaurant	9	2	2	3
Convenience store	2	2	4	2
Mexican restaurant	1	2	1	6
Cafeteria	1	1	1	1

+ Establishments named by fewer than one percent are omitted.

ESTABLISHMENT WHERE TAKE-OUT FOOD WAS PURCHASED-BY DAY OF WEEK+

	Total 1985							
	Total Who Purchased Take-Out Food	Day Purchased						
	%	M %	T %	W %	T %	F %	S %	S %
Fast food restaurant	58	63	55	58	57	56	55	62
Family restaurant	7	4	5	9	6	10	5	7
Supermarket/grocery store deli	6	5	5	6	4	6	8	3
Take-out food store	6	5	3	6	6	7	10	7
Deli (not in supermarket)	5	5	10	5	5	4	6	4
Chinese restaurant	4	4	2	2	3	4	4	7
Convenience store	3	3	5	2	4	3	1	2
Mexican restaurant	2	*	1	0	3	3	2	4
Cafeteria	1	1	1	1	1	2	1	0

*Less than one-half of one percent.
+ Establishments named by fewer than one percent are omitted.

SOURCE: Gallup.

One of the biggest challenges to a delivery system is that of speed; customers are just as interested in quick service and convenience as they are in high quality food.

stop shopping," the 7-Eleven convenience store chain (a 9,000-plus unit holding of Dallas-based Southland Corp.) has begun nationwide expansion of a videocassette rental program that is projected to bring the service to 3,000 units nationwide by the end of 1986. With tapes renting at approximately 99 cents, the service will seriously undercut prices charged in dedicated rental outlets. With ambitious foodservice plans already in place, including a recent agreement with Rocky Mount, NC-based Hardee's to offer the fast food chain's products in 7-Elevens, the convenience store chain is positioning itself to take advantage of the stay-at-home trends.

And supermarkets, also embarked on the same one-stop shopping quest, are beefing up in-store deli and take-out outlets. Giant Supermarkets, based in Washington, DC, has 138 stores and big plans. Two of its units offer gourmet and prepared meals for take-out in a test that will probably be expanded. "We're highly service-oriented, and we like to have a lot of departments under one roof," says Barry Scher, director of Public Affairs.

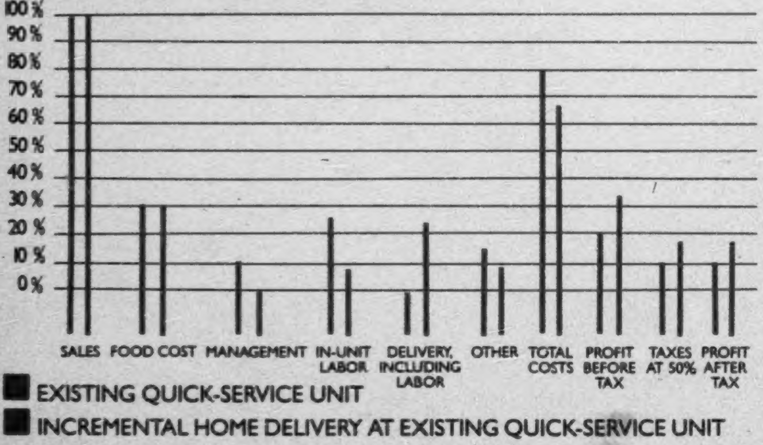
Supermarkets are also reaping the fruits of steadily growing sales of frozen food entrees, aided by steadily increasing sales of microwave ovens. Actually, gourmet frozen food entrees are demographically aimed at much of the same at-home market restaurateurs are hoping to capture.

According to Selling Areas Marketing, Inc. (SAMI), a New York City-based market research firm, in 1985, frozen food gourmet entrees totalled $1.045 million in sales, up approximately 25 percent from $831 million in 1984. Quality frozen food entrees, such as Le Menu and Classic Light, account for 45 percent of all frozen food dinners, and represented $439 million in sales last year.

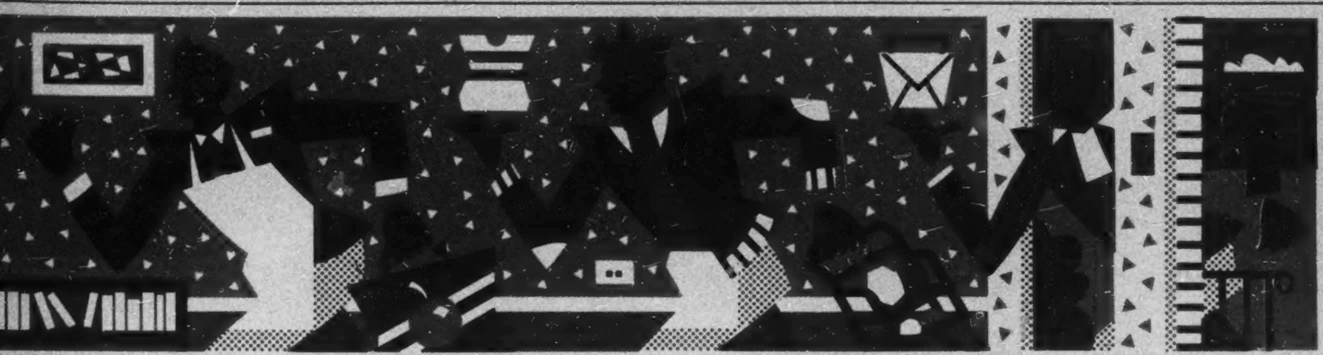
White Castle has begun capitalizing on the strength of frozen prepared food market by expanding its own business through that avenue. Eight-packs of frozen White Castle burgers are now being tested in supermarkets in Indianapolis, IN, and Denver, CO, at a cost of under $4 per pack.

Initially, according to Gail Turley, director of public affairs, the frozen burgers were offered as a response to White Castle "burger bootleggers," who were buying burgers at retail prices and then taking them elsewhere for resale. "We were hoping to discour-

COMPARATIVE COST STRUCTURE: EXISTING QUICK-SERVICE UNIT AND INCREMENTAL HOME DELIVERY FROM EXISTING QUICK-SERVICE UNIT



SOURCE: AGRIBUSINESS ASSOCIATES, INC. FOODSERVICE STRATEGY GROUP



age this, and in the process, set up formal tests for supermarket sales of frozen burgers." The company plans to set up an experimental factory to produce the burgers for retail this fall.

THE DEMOGRAPHICS. According to CREST data, take-out and off-premise dining were responsible for 40 percent of total customer traffic in restaurants in 1985, representing a market of $25 to $30 billion. Of those customers purchasing food at a table service restaurant, a full 60 percent ate the take-out at home, followed by 13 percent who ate in the car, 10 percent who ate at work, and 17 percent who ate in 'other places.'

Moreover, according to CREST, and most important for foodservice operators, take-out and home delivery represent the greatest growth opportunity for foodservice operators. For all restaurants in 1985, 60 percent of meals were eaten on-premise, a one percent decline from 1985; 27 percent of all meals were carry-out, a one percent increase; drive-thru accounted for 11 percent of all meal purchases, a six percent increase; and delivery (to the home or other location) represented only two percent of sales, but that was a 59 percent increase over 1984.

The big growth has been in dinner sales. In 1985, according to the National Restaurant Association (NRA), while sales of lunch eaten inside restaurants rose two percent, sales of take-out lunches jumped ten percent. For dinner, take-out sales rose 16 percent, while eat-in sales were flat.

A look at who take-out customers are is most revealing (see chart page 249). According to an NRA study, the most frequent take-out customers include women, 18 to 34 year olds, singles, families with teenagers, households where the female head is employed, and households with incomes from $20,000 to $50,000.

Two important demographic trends promise to swell these numbers: the growth of the two-income family—within the 70 million-strong Baby Boom generation, more than half of all married couples are dual wage-earning—and the simultaneous trend of later marriage, which has resulted in more single-person households.

The NRA study also yields this revealing information about the market for food consumed off-premise:

- More than half (56 percent) purchase food to go more than twice a month.
- Those who are less likely to purchase take-out meals include: senior citizens, married couples with no children, households where the female head is not employed, and households with incomes under $15,000.
- Lunch is a popular take-out meal. Over half the take-out consumers interviewed reported they purchased foods and beverages for lunch at least twice a month; only 12 percent said they never do.
- Nearly everyone likes the advantage of a take-out dinner. Most of those who do buy take-out for dinner do so frequently, with 45 percent reporting they purchase take-out for dinner two or more times a month.
- Nearly half of those interviewed said they were purchasing more take-out meals than they did three years ago.
- Most people appear to be satisfied with take-out service at the nation's restaurants. Specifically, they are satisfied with the packaging, the quality of food and the variety of food offerings.
- Consumers prefer take-out foods and beverages purchased at restaurants and fast food places to those purchased at grocery and convenience stores. (This is so despite the fact that grocery, convenience and deli stores combined account for 17 percent of total take-out sales, according to Gallup.)

The heart of the at-home matter, according to George Rice, lies in understanding the much-talked-about baby boom generation. "They're 18 to 40 years old, and they're getting married and having their first child. They're buying homes, cars, VCRs, and becoming more conservative. If they want to go out, babysitting costs $2 an hour, and there are limited places to comfortably take a young child. The home is becoming a more desirable place to be, and they're ready to enjoy family life."

COMPARATIVE INVESTMENT AND SALES POTENTIAL FOR STAND-ALONE QUICK-SERVICE RESTAURANT AND DEDICATED HOME DELIVERY OPERATION

	STAND-ALONE UNIT FOR EAT-IN AND TAKEOUT	DEDICATED HOME DELIVERY UNIT
SPACE REQUIREMENT *(SQ. FT.)*	2000-2500	1000-1200
TOTAL FIXED INVESTMENT (INCLUDES EQUIPMENT, FACILITIES/ LEASEHOLD IMPROVEMENTS)	$600,000 TO $1,200,000	$100,000 TO $150,000
SALES POTENTIAL	$600,000 TO $1,200,000	$500,000 UP
FIXED CAPITAL TURNOVER ($ OF SALES PER $ OF FIXED INVESTMENT)	$1.00 TO $1.50	$3.33 TO $5.00 UP

SOURCE: AGRIBUSINESS ASSOCIATES, INC. FOODSERVICE STRATEGY GROUP

BUDGETS: A SURVEY OF MULTI-UNIT OPERATIONS

Insight into the budgeting practices of top foodservice companies will help you to reconsider this valuable financial and operational tool.

by Raymond Schmidgall and Jack Ninemeier

Most restaurateurs are well aware of the advantages to operating budgets. These financial tools help to establish profit plans and help the foodservice operator "keep on track."

Multi-unit firms predominate in the foodservice industry; more than 50 percent of all revenues generated by the industry are the result of multi-unit (chain) business. In spite of this, there is little published information.

A SURVEY. Financial executives—generally corporate controllers—from 31 of the 70 largest commercial foodservice chains in the United States were surveyed.

Table 1 shows basic information about the foodservice firms whose budgeting practices are reviewed.

Most companies had both company- and franchise-operated units. (The smallest organization had three units; the largest had 2,100 units.)

Sales volumes were large; sales exceeded $500 million in eight company-operated and seven franchise-operated companies; the lowest sales volume was $1.8 million and the largest company had sales in excess of $1 billion.

Since the budgeting process involves communication and coordination activities throughout the organization, the type of management structure and the number of layers of management structure in the companies studied was an important consideration.

Tables 2 and 3 show, respectively, a typical organizational structure of a multi-unit foodservice firm and the number of management layers in the companies analyzed in this report.

The organizational structure is typically complex; all but two of the responding companies had four or more organizational levels. The number of organizational levels appeared to be affected by the number of units; larger companies required more intermediate layers in their organizational structure.

THE DEVELOPMENT PROCESS. Budgets for multi-unit chains can be developed in two basic ways. First, separate budgets can be developed by each unit manager and the "numbers" can then be "rolled up" through successive organizational layers to the corporate level. This approach is typically called "bottom up" budgeting. Alternatively, budgets can be developed at the corporate or other high organizational levels and passed down through the organization, with each level becoming more responsible for a specific segment of the budget. This approach is commonly called "top down" budgeting.

Which of the above approaches is used in commercial foodservice chains? Most companies (18 of the 31 firms) use a "bottom up" approach. Fewer companies (8 of 31) use a "top down" approach.

One corporation developed a separate budget under both methods; a "compromise" budget resulted.

What factors prompt the more frequent use of the "bottom up" budgeting method? Among the reasons cited:

A need to increase feeling of unit-level "ownership" in the budget. The manager was likely to be more committed to the budget if he/she contributed to its development. Bonus plans are often tied to budgets; again lower level input helps the manager understand that budget goals are feasible.

An ability to recognize specific problems which affected lower organizational levels.

Organizations using the "top down" budgeting process do so for the following reasons: The concern that the total of individual unit budgets would not meet corporate expectations.

Unit managers are not aware of plans for new products to be introduced during the budget year.

Unit managers are not aware of

TABLE #1

[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Company-Operated	7	[illegible]
Franchise-Operated	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	NA*	[illegible]
In Company Units	4	[illegible]
In Franchise Units	8	[illegible]

TABLE #2

TYPICAL ORGANIZATIONAL STRUCTURE OF RESTAURANT CHAINS

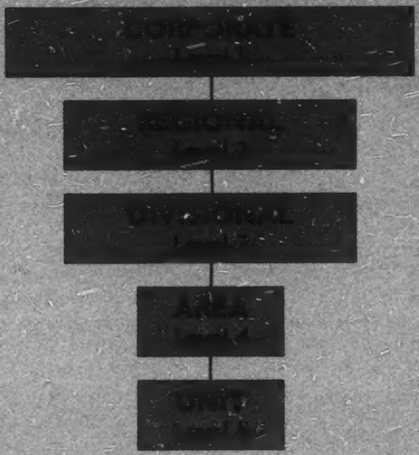
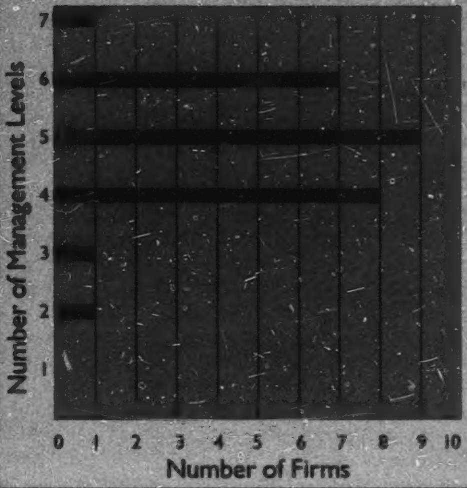


TABLE #3

NUMBER OF MANAGEMENT LEVELS IN RESTAURANT CHAINS



planned price increases.

When unit managers develop budgets independently of other units there may be inconsistencies in assumptions.

Unit managers may not be aware of marketing/advertising plans.

Unit managers may not be aware of business expansion plans.

How important is it for unit managers to provide input to financial plans which impact their units? The current emphasis on participative management styles suggests that this concern is a real one in many multi-unit companies. However, the fact that some unit level managers do not have the broad picture, which is required for company-wide planning, is also evident in other companies.

Not surprisingly, a tentative financial goal (such as desired net income) is established prior to developing the budget in the majority (23 of 31) of the organizations studied. In most (21 of 23 companies) this goal is established at the highest organizational level.

How do multi-unit organizations develop sales estimates? Among the factors used are:

- Historical operating information.
- Impact of expansion.
- Economic indicators generated and/or interpreted by lower levels.
- Impact of menu changes.
- Operating changes suggested by corporate level managers.
- Advertising/planned promotions.
- National economic information.

Logically, each of the companies considered historical operating information as sales estimates were established. It is of interest, however, that more attention is given to economic indicators supplied by lower level management than to national level economic concerns (25 companies considered local economic indicators; only 20 companies considered national level economic information) as budgets are developed. This seems to support the frequency with which the "bottom up" versus "top down" approach is used.

LONG-RANGE PLANS. Do multi-unit foodservice organizations utilize long-range budgeting? Twenty-three of the 31 firms surveyed responded that they do. One company develops budget projections for a two-year period. Three companies prepared budgets for three years. Sixteen firms developed operating budgets for a four-year span. Three companies used five- or six-year budget plans.

Operating budgets typically become less specific as the time frame increases. How much lead time is required to put together the operating budget in multi-unit firms? The companies in the study utilize budget calendars ranging from one to six or more months. Most (25 firms) require four months or more lead time to prepare operating budgets.

Budget reforecasting involves a review of actual operating data as the budget period evolves in order to revise the operating budget for the re-

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SUBJECTS IN STUDY

	Number of Units in Company				
	2-100	101-300	301-600	601-1,000	Over 1,000
[illegible]	8	9	4	6	3
[illegible]	5	8	1	4	6

	Company Annual Sales Volume (in Millions)			
	$1–100	$101–500	Over $500	Not applicable
[illegible]	6	12	8	1
[illegible]	2	7	7	7

*One company was comprised of only franchisee-operated units; 7 organizations had no franchise units; two companies did not respond to the question about number of franchised units.

**No answer.

Multi-unit companies need more time to develop budgets.

BUDGET *continued from page 355*

mainder of the year. Typically, the income statement is used as the source of actual income/cost information. As the year evolves, budgets developed before the start of the current year are updated based upon actual operating results. Managers can then compare subsequent operating results with the original and/or reforecasted operating budgets. Since the budget development process takes a long time and because computerized methods are available to reforecast, the process appears to be a relevant activity in multi-unit firms. Most (23 firms) reforecast budgets as the fiscal year evolves. Reforecasting begins less than three months into the budget year for 14 of the 23 firms. Reforecasting is generally undertaken by or near the corporate organizational level (this was the case in 14 of the 23 firms who addressed this concern). Reforecasting is done on a monthly basis (by 10 companies); on a quarterly basis (by six companies); when it appears necessary for specific units (by five companies); or on a bimonthly basis (by two).

When reforecasting is done the operating budget is typically revised for the remainder of the fiscal year. Reforecasted budget information can be used as a benchmark against which to measure actual performance, to review pricing plans and/or to generate new projections for year end results.

One basic purpose of an operating budget involves the development of benchmark financial plans against which actual operating information can be compared. Most (28 of 31 firms) indicated that the operating budget was used for operational monitoring purposes in the individual units. However, fewer (22 of 31 chains) indicated that unit managers were held responsible only for operating costs which were within their control. Actual income and expense information is compared with the original budget in many companies (24 of 31 firms). Surprisingly, however, actual operating information is compared with the reforecasted budget in only 17 of the 23 companies which routinely reforecast the budget.

BUDGETED AND ACTUAL COSTS. Management and financial staff frequently compare budgeted and actual cost information in order to determine whether corrective action to reduce expenses is necessary.

A relatively small amount of variance is allowed. For example, as shown in Table 4 (Variance Levels for Prime Costs) the majority of organizations take corrective action when the actual food, beverage, and labor costs exceed the budgeted cost of these expense categories by more than two percent. Table 4 shows that 20 firms require corrective action when actual food costs exceed budgeted food costs by more than two percent; 11 companies take corrective action when beverage variances exceed two percent; and 20 organizations allow a two percent variance for labor costs.

The process of comparing budgeted and/or reforecasted cost to actual costs as reported on the income statement is done on a monthly basis in the majority (25 of the 31 firms).

There is strong involvement of both the unit and organizational level immediately above the unit in the budget development process. (For example, 19 of 31 organizations involved these levels in the budget analysis process. Likewise, 15 chains provide for budget analysis responsibilities at higher organizational levels.)

Surprisingly, relatively few (13 of 31) organizations use unit and/or the level above unit personnel to implement corrective actions. While it is interesting to note that top levels of large chains with many operating units are involved in implementing corrective action this does suggest that multi-unit managers adhere to a basic management principle. Responsibility cannot be delegated.

SINGLE- VS. MULTI-UNIT BUDGETING. A number of differences between procedures used to budget in single- and multi-unit foodservice operations were pointed up by the respondents in this study. For example, in the multi-unit organization: There is a greater need for coordination. The volume of information to be precessed is greater. More sophisticated—and frequently computerized—procedures must be used. The amount of time required to develop the budget is likely to be greater. Procedures to allocate costs between organizational levels are unique. The extent of management attention to the budget process is likely to be greater. Many budget policies are generated externally to the unit.

Readers should note that the information presented in this report is based upon information supplied by only 31 organizations; it cannot represent a conclusive definition of budgeting practices. However, it is a beginning and managers in multi-unit restaurants should recognize both the unique aspects of budgeting in their organizations and, as well, the fact that the basic principles do not differ from their single-unit counterparts.

Raymond Schmidgall, Ph.D., CPA, and Jack Ninemeier, Ph.D., are associate professors for the School of Hotel, Restaurant and Institutional Mangement at Michigan State University, East Lansing, MI. Their research was funded in part by the PepsiCo Foundation.

TABLE #4

VARIANCE LEVELS FOR COSTS

	Percent Variance between Budget and Actual Costs						
$ Cost	Under 1%	1-2%	2-3%	3-4%	4-5%	Over 5%	No Set Amount
Food	10	10	4	1	2	[illegible]	[illegible]
Beverage	7	4	3	1	1	[illegible]	[illegible]
Labor	10	10	4	—	2	[illegible]	[illegible]

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Restaurant Business

A BILL PUBLICATION

JULY 20, 1986

ENTERTAINING RESTAURANTS: WHAT'S HOT, WHAT'S NOT

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Operations Savvy
Bar Management Guide
Raising Your Equipment IQ
Supply Lines
Buyer's Circle
Lateline
Restaurant Openings

COVER PHOTO BY MIKE McCORMICK

THE TAX BITE

BY IRVING BLACKMAN

BORROWING FROM YOUR CORPORATION

Congress did it. The interest-free loan loophole has been slammed shut. But, all is not lost. You, even though a shareholder, can still borrow from your corporation without being hit by the IRS.

A below-market interest (BMI) loan charges no interest or charges interest below the current market rate (CMR). In general, when money is loaned at BMI, the "imputed interest rules" create interest where none exists. The amount of interest created is the difference between the CMR and the interest charged on the BMI loan, and is called "forgone interest."

The rules create the fiction that the lender transfers the forgone interest to the borrower along with the loan principal. In the case of a BMI loan from a corporation to a shareholder, the result is a tax disaster. The amount of the forgone interest is treated as a dividend to the shareholder. Next, the shareholder is considered as paying the forgone interest back to the corporation. This is the imputed interest. So the shareholder comes out even: His dividend income from the forgone interest is offset by the interest deduction from his imputed interest. But the corporation gets clobbered: It has interest income from the imputed interest and only a nondeductible dividend from the forgone interest. Here's an example:

During 1986, Joe Success borrows $20,000 without interest from his corporation. The CMR for the year is 10 percent. The forgone interest transferred from the corporation to Joe is treated as a $2,000 dividend ($20,000 x 10%). The imputed interest from Joe to the corporation is also $2,000. Joe's $2,000 dividend income is offset by his $2,000 interest deduction. The corporation, however, is socked with $2,000 in interest income. A terrible tax result!

These seemingly disastrous rules can actually be turned to your advantage. Corporate-shareholder loans, as they always have been in the past, are fraught with this ever-present dividend threat. But you can avoid the threat. Just make your loans at market rates! Then, the imputed interest rules will be neutralized.

The author, an attorney and a certified public accountant, is senior partner at Blackman, Kallick and Co., Chicago, and author of "Winning the Tax Game."

TAX SHELTER REGISTRATION

It's amazing how quickly a myth can be born. Yes, certain tax shelters must be registered with the IRS. No, registration does not assure you IRS approval for deductions taken in connection with the registered shelter. Anything you hear to the contrary is a myth.

The plain truth is that registration allows the IRS to monitor shelters more effectively and nail investors if the shelter does not pass tax muster. The procedure is simple: The IRS assigns a number to each registered tax shelter; the promoter must provide the number to each investor; and the investor must include the number on his tax return. Any failure to follow the rules opens you up to very stiff penalties.

Promoters must register shelters that:

(1) project write-offs greater than two times an individual's investment;

(2) expect five or more people to invest in; or

(3) offer more than $250,000 for sale.

In general, the allowance of a tax shelter deduction will depend on the "economic substance" of the deal. How can you judge if the deal will stand up to IRS attack? Figure the deal without the tax juice. If the deal flunks economic reality, it will probably flunk an IRS examination. Investing in such a deal is sucker's bait. Don't do it.

Almost every business owner has a better place to invest his money for overall after-tax profits: his own closely held corporation. Net worth can be built while sheltering income with legitimate deductions. Small business has been blessed with the ability to use a string of IRS-approved methods to divide income among the family, defer taxes, and build wealth.

COMPARING DEDUCTIONS

It has never been a secret: The more you deduct, the more tax you save. On the other hand, this is also a fact: The greater your deductions, the greater your chance of a tax audit. Every year, the IRS opens its books to give you a peek at the deduction level of your fellow taxpayers. The accompanying chart looks at the average deductions taken on 1984 tax returns filed in 1985.

The medical expense deduction is a bit of a fooler. Since only expenses in excess of five percent of adjusted gross income are deductible, most taxpayers claim no medical expense deduction. As a result, the medical expense figures shown only include those returns that claimed such a deduction.

Don't get swept away by how much the other guy deducts. Use the figures only for comparison. Don't believe any rumors you hear about the IRS rule allowing you to take an average deduction; all are a myth. The official rules are clear: only expenses actually paid are a legitimate deduction. And remember, if you are audited, you must prove your deductions. So, keep your receipts and other documentation. ■

HOW DO YOU COMPARE!

National Average Deductions Claimed For 1984

Deduction	30-40*	40-50*	50-75*	75-100*	100-200*

*Adjusted Gross Income in Thousands of Dollars.

Marriott's life care division will open its first community, Vista at Canyon Lakes (above) in early 1989.

LIFE CARE CENTERS: A NEW OPPORTUNITY

Residential communities, offering senior citizens independence and peace of mind, are a growing field.

by Denise Brennan

While hundreds of companies stampede the baby boomers for business, a select few are quietly concentrating their efforts on attracting a fast growing and often overlooked demographic segment: seniors. Indeed the special needs of the over-60 market provide an avenue of growth for diversified corporations such as ARA Services Inc. and Marriott Corp., and an entry into the lodging sector for innovative entrepreneurs such as Pennsylvania-based Life Care Community Corp.

Life care communities combine the best of two worlds under one roof. Active, self-sufficient seniors join a comfortable, residential community that offers a variety of services, including foodservice. The added inclusion of skilled health care facilities within the community enables aging residents to cope with any emergency with a minimum of disturbance.

Although life care communities have been in existence for more than 25 years—generally in the guise of religious and other not-for-profit facilities—recent demographic and psychographic trends have made residential communities for seniors more marketable, and profitable, enterprises.

OPPORTUNITIES. Currently, approximately 11 percent of the population (about 25 million Americans) is over the age of 65. Over the next 40 years, that proportion of senior citizens is expected to double, which means as many as 50 million older Americans will be making retirement choices.

And while the population skews upwards in terms of age, family size, and thus size of residences, is shrinking. Smaller houses mean that it will become increasingly more impractical for families to house aging parents. In addition, the continued emphasis on healthy living is resulting—and will continue to result—in an older population base in good health. These healthier seniors can live on their own longer, not requiring the services of a nursing home. Life care communities offer them the self-sufficiency they desire in a community environment.

In addition, some preliminary studies actually indicate that life care residents stay healthier longer, experiencing fewer illnesses than average, fewer hospitalizations, and longer life overall. The typical life care resident today is in his or her early 70s, with the expectation of living from 10 to 14 years longer depending on sex. (Females tend to live longer.)

Many of these active seniors are in upper middle income brackets. Indeed, there is a fairly affluent base from which life care communities draw their

continued on page 204

At ARA's communities, foodservice is a special focus.

LIFE CARE *from page 202*

residents. In 1980, 6.4 percent of men over 65 had incomes above $25,000; by 1984 that proportion nearly doubled, to 12 percent. Used to a certain level of privilege, these seniors want attractive, well-designed homes, but many would prefer to avoid the stresses of upkeep required to maintain a home.

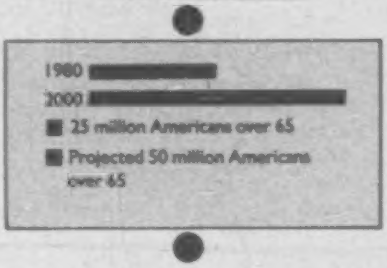
As a result of these changes, it comes as no surprise that the $4 billion life care community industry is thriving. Indeed, today there are 700 communities throughout the country; this number should triple over the next 10 years, to 2,100.

CONTINUING CARE. "Dining is considered a social occasion and is an important selling tool in life care communities," emphasizes Walter Geggis, regional vice-president of Healthcare/Nutrition Services for Philadelphia based ARA Services Inc. "Many seniors move to retirement villages for the guaranteed socialization they provide. Much of that activity revolves around meals and, therefore, the quality of food."

In 1985, ARA reorganized to separate the operational areas of continuing care and acute care. Continuing care falls under Geggis' jurisdiction. This division services approximately 30 clients and is an area pegged for further growth. Explains Geggis: "In addition, there is a growing number of senior citizens who are capable of enjoying retirement and have the financial resources to do so."

According to Geggis, the separation was made because the healthy senior citizen has a different set of needs than those who require constant skilled nursing care. "Acute care is considered an extension of hospital foodservice and this is not what life care communities are all about. For example, we can serve tea daily at 3:00 p.m.—which is not something that would be done in a traditional nursing home."

The number of senior citizens is expected to double by the year 2000.



The division operates via management contracts which usually consist of reimbursed cost plus a fee. In some instances, ARA is also responsible for a participation percentage. However, Geggis is quick to point out that there are "many variations." And, similar to college and university foodservice accounts, life care facility meal plans are tailored to each individual account, ranging from charging a fee which entitles the senior citizen to one meal per day; a three-meal plan; or an a' la carte program.

As more life care facilities are built, giving seniors greater residential choices, ARA will market its ability to create new menu ideas to meet the needs of these seniors. "The challenge is to develop menus that will continue to interest Mrs. Jones for the next 10 years," notes Geggis. From ARA's perspective, the company looks for a minimum population of 150 residents. In addition, ARA requires that the center's administration indicate a willingness to make quality foodservice a focal point of the residents' life.

MARRIOTT MOVES IN. Marriott Corp. showcases a formidable combination of talents well-suited to specialized residential development. Financial strength, extensive hotel management skills, and long-term restaurant and contract catering experience are hallmarks of the industry giant whose clout also includes real estate development expertise—to the tune of $1 billion in annual project development.

Marriott began investigating opportunities in the specialized life care sector in 1982. Two years later, the Washington, DC-based company launched its Lifecare Retirement Communities Division. Current plans call for its first community, The Vista at Canyon Lakes in San Ramon, CA, to open in early 1989. The company will own and manage the facility and an elected Residents Association will represent the interests of the residents.

"In essence, life care is a holistic approach to retirement living," says J.W.

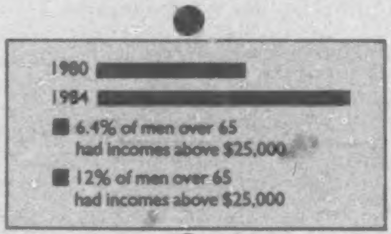
ARA's facilities duplicate the comforts that seniors are used to.

Marriott Jr., chairman of the board and president of the company, in a statement explaining the company's entry into the business. Marriott believes that the choice of life care means that retirees can plan a future "relatively free from financial worry. Life care residents have the security of knowing that their one-time entrance payments and monthly service fees provide a comprehensive array of services." Marriott Lifecare Retirement Communities will include housekeeping and dining services, recreational facilities, and skilled nursing care.

COMFORTABLE SETTING. According to William Eggbeer, vice president of Marriott Lifecare Retirement Communities, The Vista at Canyon Lakes will feature 324 residences and a community center serving as the social and recreational hub. One- and two-bedroom apartments with complete kitchens range from 700 sq. ft. to 15,000 sq. ft.

Entrance into Marriott's life care community is not inexpensive. The entrance fee begins at $125,000 and is 90 percent refundable to the residents if they want to move, or, if they die, to their estates. Monthly service charges start at $1,000 depending on the size of the residence and number of occupants. Eggbeer points out that the monthly service fee entitles residents to a daily meal of their choice, weekly houskeeping services, grounds maintenance, parking, access to recreational facilities, lifelong health care services, and extensive social activities. Recreational activies include a health spa, woodworking and art studio, swimming pool, barbecue and picnic area, golf course and country club, and walking and jogging trails. In addition, each residence will feature an emergency call system.

The segment draws from a base whose affluence is increasing.



Marriott will offer home health care, as well as personal, intermediate, and skilled nursing care at the on-site health center. Staffed by a medical director and qualified health care professionals, the center will have 57 intermediate and skilled nursing beds and 55 personal care beds.

RESTAURANT QUALITY FOOD. Eggbeer foresees the foodservice operations as providing restaurant quality food similar to what may be found at Marriott resorts. Unlike traditional nursing homes which usually maintain foodservice contracts, plans call for dieticians and well-trained chefs to design and implement individual menus.

The monthly fee will entitle the resident to a choice of one daily meal in either the coffee shop or restaurant. Additional meals will be charged against the apartment or can be paid in cash. The staff dietician will plan menus which cater to the special diet needs of seniors, i.e. low salt diets, diabetic meals, etc.

The company plans to develop three life care communities over the next four years. Areas under consideration include Washington, DC, New Jersey, Connecticut, and southern California.

PERSONAL MOTIVATION. While Marriott established its life care division based on extensive research, entrepreneur Jerry Frishberg was galvanized by the needs of his mother. "I had a mother in her mid-70s and as her child I was looking for an answer. Following the death of my father, she wanted to leave her apartment but she was too active to be moved to a nursing home."

In 1977, Frishberg came across the concept of life care and determined that it was a "beautiful way of life for older people." As a result of a tour of life care communities in the Philadelphia area, which had a four- to five-year waiting list, Frishberg resigned from his job and devoted himself to developing similar residential areas. Having no experience in health care, gerontology or real estate, Frishberg hired a cadre of experts in a variety of disciplines to help him meet his goal.

During 1978 Frishberg traveled throughout the country touring facili-

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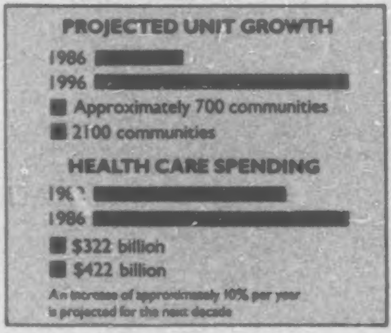
A variety of foodservice options is typically available.

As health care spending grows, so will the life care sector.



LIFE CARE *from page 205*

ties and meeting with administrators. In addition, he decided to approach the issue from an academic perspective and enrolled at the Univeristy of Pennsylvania, from which he was awarded an M.A. in Gerontology.

SPECIAL ORIENTATION. In 1979, the first of Life Care Community Corp.'s residences opened in Marple, PA, an hour outside of Philadelphia. Additional residential facilities include Logan Sq. East (Philadelphia) opened in 1984, and Pompano Beach (Florida) Court opened December, 1985. Ground has been broken for a facility in Lakewood, NJ, with opening scheduled for the winter of 1987, and there are a variety of additional projects.

Frishberg contends that today's senior citizen world can be divided into three groups: the young/old, the middle/old, and the old/old. Or as he describes them, "the go goes; the slow goes; and the no goes." He continues: "The first group is self-sufficient and still very active. The second group is still active but involved in more sedate hobbies. This group is also going through a period of reassessment. The third group is the frail elderly who require the ongoing supervision provided in nursing homes."

Life Care Community Corp. attracts the second group of seniors—those aged 75 and over who are interested in maintaining an independent lifestyle but who also see health care as a vital issue. The basic model facility consists of apartments or villas, a social club, recreational activities, dining halls, and full health care facilities. Frishberg points out that the average age of the residents is 75 and the life expectancy beyond this is 12 to 13 years.

COSTS OF LIFE CARE. Potential residents must apply and be approved based on financial and health care requirements. Costs include a 100 percent refundable one-time investment fee of $75,000 which reverts to the owner if he moves or the estate if he dies. Typically, the communities are comprised of 250 studio, one-bedroom, and two-bedroom apartments which house about 300 residents. There is also a monthly fee of $1,000 which pays for all services including one daily meal, weekly housekeeping and laundry service, mini-bus transportation, nursing care if necessary, and security patrols. Occupancy tax and utilities are also included in the investment fee.

VARIED CHOICES. Currently, Life Care Community Corp. handles its own foodservice operations in two of its communities. Although the third is contracted out, Frishberg points out that the company will take over the dining room operation at Logan Sq. East once the contract expires. The 200-seat dining rooms average 4,000 to 5,000 sq. ft., with kitchens averaging 3,000 to 4,000 sq. ft.

One daily meal is included in the monthly fee and Frishberg points out that the majority chooses dinner. Additional meals are billed monthly to the apartment. The residents at these life care communities are encouraged to organize and work with management.

The dining rooms sport a country club setting and feature restaurant amenities such as hostess seating, waitress service, and upscale linens on the table. Cyclical menus which address nutritional concerns such as low sodium requirements or diabetes are developed by an in-house dietician. Notes Frishberg: "We try to cook with no or low sodium but provide spices and dressings on the tables for those residents who are not on restricted diets." To prevent boredom, special events such as Mardi Gras night or a Fourth of July Liberty celebration are planned.

However, the main emphasis is on the basics. "Dining is a very important social activity at the communities," insists Frishberg adding, "As a result we concentrate on maintaining a high level of quality for food and service." ◆

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Restaurant Business

A BILL PUBLICATION

AUGUST 10, 1986

NEW TRENDS TO WATCH:

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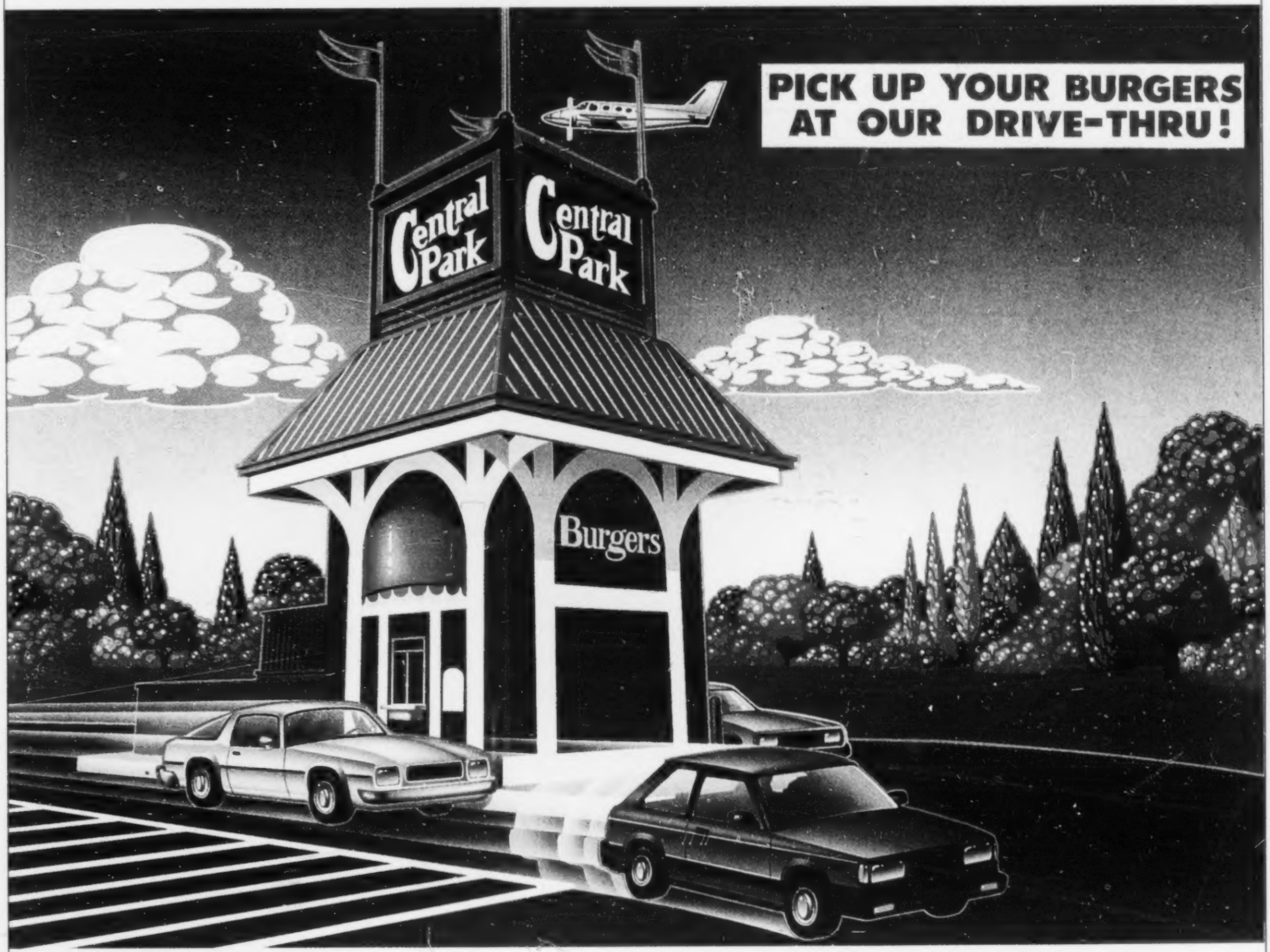
PICK UP YOUR BURGERS AT OUR DRIVE-THRU!
Central Park
Central Park
Burgers

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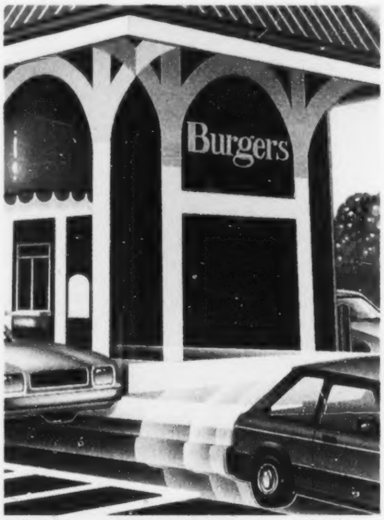

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COVER ILLUSTRATION BY ROBERT BURGER

MARKET SEGMENT REPORT

ITALIAN & PASTA

A large market seemingly resistant to the domination of chains.

CIAO BABE!
Benvenuto

Big 4's Pop's Italian Restaurant expanded its menu to meet market demands.

In the restaurant business, fragmented markets aren't just for burgers anymore. Even the leading ethnic menu segment is having trouble remaining solidly intact in a restaurant market hungry for growth but sufficiently stacked with outlets.

Italian cuisine, and its mainstay, pasta, are in the midst of an identity crisis of sorts. Once staunchly ethnic, rich in the aroma of red sauces spiked with red wine and cooked over a low flame for hours, Italian menus are more diverse today than ever.

Now, light sauces are widely popular on pasta, as Northern Italian cuisine carves out a place in American stomachs. Meatballs and sausage are giving way to sautéed veal and grilled fish. Seemingly simple pasta dishes now command top dollar in many restaurants, and it isn't only sauces which now provide color for the center plate: tomato, carrot, spinach, or artichoke pastas don distinct hues all their own.

Commandingly dominated by independents—many of whom are immigrants or the direct descendents of new Americans—the traditional Italian restaurant segment remains relatively intact, despite fluctuating market conditions. It is a proven—although staid—market.

By Ralph Raffio

A CHANGING MARKET. But there's more competition for these restaurants now. Italian specialty dishes and pasta have been integrated into most restaurants' menus today. In fact, the market for Italian cuisine and pasta is growing not so much due to a flurry of new restaurant openings, but by menu items that are being adopted and expanded upon by eating places of all persuasions.

According to some industry ana-

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MARKET SEGMENT REPORT

ITALIAN & PASTA

Northern Italian cuisine is now more popular than Southern, a favorite for years.

lysts, fragmentation has already occurred in the Italian market segment. The challenge for operators today is making the best of this situation, and taking advantage of the opportunities arising from it.

The National Restaurant Association (NRA) in Washington, DC, reports that, of all ethnic cuisines, Italian is the most popular among Americans. At the same time, pasta has steadily gained an increased following among American consumers. According to the National Pasta Association, per capita consumption of pasta reached 14.7 lbs. in 1985, up from 12.8 lbs. only five years earlier—and that includes only frozen, dried, packaged and canned pasta, not fresh.

Such popularity among consumers rarely goes unnoticed. Though most large restaurant chains have so far steered clear of developing a strictly Italian concept, many have expressed interest in cracking the Italian market. "Italian cuisine represents an uncrowded niche for restaurant companies," says Charles Glovsky, senior restaurant analyst, Alex. Brown & Sons, Baltimore. "There aren't many of those left in the industry."

DIFFICULTIES. But this seemingly wide open market is by no means an easy nut to crack. On the contrary, it has proven very difficult. Many have failed at attempts to cookie-cut an Italian concept, leading to widespread apprehension and doubt among chains to move further ahead toward developing a national chain.

The most recent failure is that of Collins Foods International Inc., Los Angeles, long a strong presence in the industry as a major Kentucky Fried Chicken franchisee and as franchisor of the Sizzler steak house concept. After acquiring the fledgling Josephina's Café and Pizzeria chain in 1984, Collins set out to build a premiere Italian dinner house chain, starting in California and Colorado.

But that never happened. Having grown to 14 restaurants, three of which were franchised, Collins announced it was pulling back from the project in the spring. The company will sell off or close many company Josephina's units, and has formed a partnership with a Lincoln, NE, concern to manage what restaurants remain open. Collins also severed ties with Josephina's founder, David Sidell, who headed the Josephina's division under Collins as president.

Starting out serving deep dish Chicago-style pizza, Josephina's evolved into

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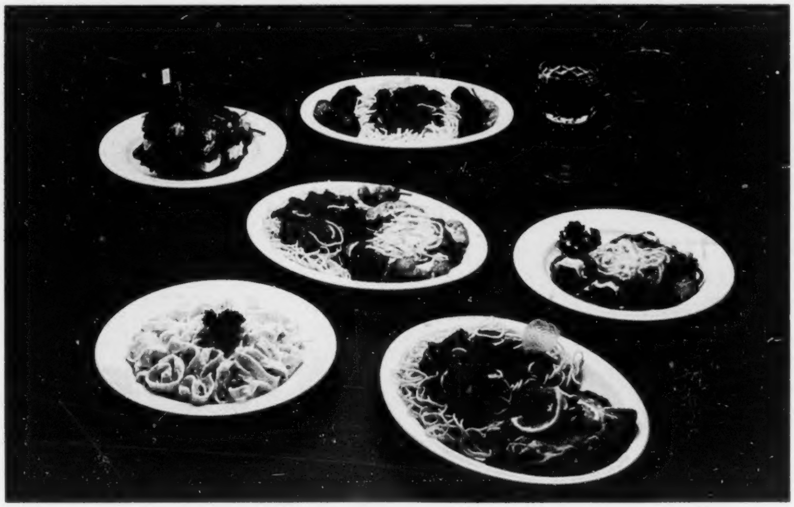

(Top) The Old Spaghetti Warehouse has expanded its menu, but spaghetti dinners remain the best seller. Bottom: a red pasta dish at Pop's.

MARKET SEGMENT REPORT

ITALIAN & PASTA

a white tablecloth dinner house serving a variety of pasta and Italian specialities. Plans now call for converting remaining Josephina's into mid-priced pizza restaurants, thereby erasing yet another attempt at an ethnic dinner house chain.

But this is still not a doom and gloom market. It's an exciting one, made more interesting by recent developments. Practically every restaurant offers some variety of Italian or pasta items. General Mills' Red Lobster division added pasta entrees in 1984. And even Denny's and Shoney's sell spaghetti and meatballs.

Though failures like Josephina's and others support the belief that successful Italian chain concepts are an elusive goal, some say there is hope.

"Execution is always the answer," says Warren W. Rosenthal, chairman of Jerrico Inc., Lexington, KY. "Pastas are not forgiving. You can under- or over-cook a piece of meat and be allowed the error, but rarely is that the case with pasta. If you're careful to make sure the food is high quality, you can be successful."

After much planning and some delays, Jerrico was scheduled to open Florenz, its own Italian dinner house attempt, in June. (See accompanying article, page 182.) The parent of Long John Silver's Seafood Shoppes, Jerrico is a fast food company now going into an entirely different business. With ill-conceived casualties scattered over the foodservice battlefield—particularly in the ethnic dinner house segment—some wonder whether Jerrico can indeed pull off its plan.

SUCCESSES. "Full service restaurants, especially ethnic ones, can't be operated under the same principles as fast food," says John P. Ferrara, president of the 26-unit Pasta House Co., St. Louis. "I think they're going to have a tough time of it, mainly because they're not restaurant people."

Jerrico hopes that won't be the case with Florenz, that a separate approach to its new dinner house can reap ample rewards by providing the company with a new growth vehicle. Headed by Christian Inden, formerly vice president of food and beverage for The Management Group, Chicago, and now a Jerrico executive vice president in charge of the dinner house division, Florenz is a Northern Italian restaurant in Blue Ash, OH, which is just outside Cincinnati, not too far from the corporate headquarters. The menu includes 10 different pasta entrees, five seafood entrees, as well as an impressive array of salads, veal, beef, chicken, cold pasta salads, and soups.

Florenz hopes to ring up sales of $2 million its first year, according to Inden. The Blue Ash unit—a converted Joe Kelly's restaurant which never did open its doors—seats 262 in the dining room, and accommodates 119 at the bar. Dinner entrees average around $10, and all include a salad.

Jerrico executives expect that 70 percent of sales will be generated by food items, the rest by liquor. Of Florenz's alcoholic beverage sales, Inden expects 50 percent to come from wine.

"I've been here for a year and a half making sure we'll be ready when we open our first unit," insists Inden. "I think many people in the past have been both experimenting and doing business at the same time. We're not. We're going to be ready to do business before we open the doors." Inden says Jerrico will open another Florenz by year-end, adding that there is a possibility of opening two units.

MORE COMERS. Among the latest entrants into the Italian dinner house segment, McFaddin Ventures Inc. opened Laurenzo's Italian Bar & Grille in Houston, the company's base, in April. Laurenzo's was developed by the Laurenzo family, founders of Ninfa's Mexican Restaurants.

McFaddin bought the franchise rights to Ninfa's last year, then funded the Italian restaurant project under its new Ninfa's U.S.A. division. Laurenzo's menu is diverse, including pasta, small pizzas, and grilled items such as fish and veal. "It's a light Italian menu," says Wendell Hern, vice president, marketing, McFaddin.

Hern says further development of the new restaurant concept "depends on how this one comes along." The first unit is a converted Huarache's, a McFaddin property. It seats 246, and features an exhibition kitchen, as well as strolling violinists.

Although the National Restaurant Association ranks Italian as the ethnic cuisine of choice, there are relatively few Italian restaurants in the U.S. compared with other ethnic cuisines.

According to Restaurant Consulting Group Inc.'s 1985 RE-COUNT survey of U.S. restaurants, Italian restau-

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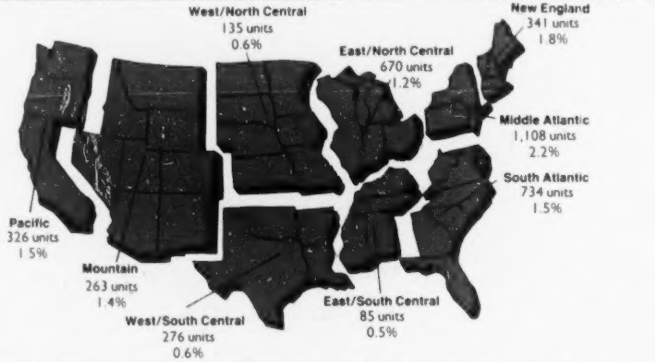
ITALIAN RESTAURANTS MOST POPULAR IN NORTHEAST

Although Italian and pasta restaurants represent only a small percentage of total outlets, their concentration is highest in the New England and Middle Atlantic regions.



NOTE: Percentages represent distribution of Italian restaurants by Census regions.

SOURCE: RESTURANT CONSULTING GROUP, RE-COUNT, SPRING 1985

MARKET SEGMENT REPORT

ITALIAN & PASTA

Josephina's is only the most recent Italian chain to flounder in its attempt to expand into new markets.

rants account for just 1.3 percent of the total U.S. market. Oriental and Mexican restaurants far outweigh Italian units, says the Evanston, IL-based research firm. There were 14,675 Oriental restaurants operating in 1985, accounting for 4.4 percent of the total market, while Mexican units totaled 13,034 or 3.9 percent of all restaurants. By contrast, Italian was the third largest ethnic segment in number of units, with just 4,438 restaurants.

STAYING POWER. Though Northern Italian fare ranks as the star of the Italian segment and the industry at large, the backbone of the cuisine is still rooted in Southern Italian cooking. Clearly, the majority of Italian restaurants in the United States build their businesses around well known dishes like pasta with tomato and meat sauce, baked lasagna or manicotti, and other items originating in the Southern sections of Italy.

In Phoenix, Big 4 Restaurants Inc. found that adapting to that fact could be critical. Though Northern Italian food got some applause from consumers in the chains' Pop's Italian Restaurant in Scottsdale, the market clearly favored traditional red sauce items. "Many people want red sauce when they go to an Italian restaurant," says Barbara Gordon, marketing director for Big 4. "That's what they know best and they don't pick up different habits quickly." Big 4 opened its new concept, Cicero's, in Phoenix, which is open only for dinner and serves almost exclusively red sauce entrees. Chianti bottles dripping wax and a strolling accordian player help create the image of an old-fashioned Italian restaurant. "We wanted it to look like it had been around for 60 years," says Gordon.

CATER TO FAMILIES. Another key factor in this menu segment is that many of the most successful Italian restaurants are family-style concepts with moderate prices. Such is the case with Dallas-based Old Spaghetti Warehouse (OSW). With 10 restaurants in three states, Old Spaghetti Warehouse found out early on that Americans' taste for Italian food was rooted deeply in traditional Southern Italian recipes. Founded in 1972, before Northern Italian cuisine came into vogue, the chain has made few changes to its concept over the years despite evolving consumer trends. "We haven't changed our menu or marketing approach very much at all," says Robert Hawk, president of Old Spaghetti Warehouse.

Like many restaurateurs, Hawk

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In Canada, Mother's Restaurants introduced pasta to sidestep liquor laws. Now, pasta accounts for well over half the chain's total sales.

MARKET SEGMENT REPORT

ITALIAN & PASTA

Florenz, Jerrico's Italian dinner house entry, hopes to make inroads where others have failed. The first unit is already open in Blue Ash, OH, and others are expected soon.

finds that family business is big business for Italian restaurants. "Our market is the local family trade," he says. "We're not a meeting place and we're not a bar. We depend on our ability to give the customers an excellent perceived value for their money."

As in the past, Hawk says the chain's biggest selling item is still spaghetti with meat sauce. "People like tasty food, no matter what you say about health and diets," he says. The chain offers a variety of menu items, like lasagna, cannelloni, veal dishes, and chicken entrees. But pasta accounts for a full 50 percent of total sales. Check average is low, $7 at dinner, $6 at lunch, including beverage. Liquor accounts for only 15 percent of the chain's total sales.

Though prices are kept low, Hawk insists that "We're not doing cheap food." The Old Spaghetti Warehouse brings in sourdough bread from San Francisco each day, uses prime veal only, and sauces, which are made fresh daily, simmer for at least six to eight hours. "We're obviously not a gourmet Italian restaurant where everything is cooked to order, but then neither are our prices like theirs," says Hawk.

The chain's 10,000- to 25,000-sq.-ft. units seat between 350 and 750 diners. The Old Spaghetti Warehouse has units in Texas, Ohio and Florida, and is looking to open restaurants in Georgia and Tennessee, possibly some time this year. Most units are located in inner city locations, with the exception of those units that are in Florida, and all are company-owned.

Based in Portland, OR, The Old Spaghetti Factory also caters to the family trade, as it has since the company opened its first restaurant in 1969. Owned by OSF International, the 23-unit chain consists of 19 restaurants in the United States, three in Japan, and one in West Germany.

KEEP IT SIMPLE. One key area where The Old Spaghetti Factory (OSF) stands alone is in its menu. The chain only offers pasta items—no veal is offered, no chicken, not even salads. Originally the restaurant served just spaghetti with a variety of sauces, though fettuccine, tortellini, fusili, and lasagna have since been added to its menu. "Ours is a very simple concept," says Robert Barr, director of marketing, OSF. "We offer a dining alternative to the family in an environment that's more inviting than most."

A family of four can dine at the Old Spaghetti Factory for $20, largely because of the restaurant's strict focus on the low-cost pasta category. "The menu, specifically the use of spaghetti, makes our low check average possible," says Barr. Units average 225 to 560 seats, and sales volumes run between $1.2 and $1.4 million annually. The restaurant chain's average check is just $5.80 including alcohol, $4.80 of which is food. Restaurants include lounge areas, though alcoholic beverages account for only 20 percent of total sales.

Barr says the company did not introduce additional pasta items in order to move closer toward becoming a full Italian restaurant, though. Rather, he says, the move served only to more deeply entrench the chain in the pasta category. "We do only pasta, and we don't intend to change that," says Barr. "We've got a strong customer identity for doing spaghetti. We're not a bar, nor do we go after the young upscale market. Our customers come for the price, the decor, and because they want to eat spaghetti." Spaghetti accounts for as much as 80 percent of food sales in many units.

DRY OVER FRESH. Like the Old Spaghetti Warehouse and many other Italian restaurants, The Old Spaghetti Factory has found dried pasta preferable to fresh. The chain once installed pasta-making equipment in all its restaurants, but soon decided to pull the equipment out, because it was disap-

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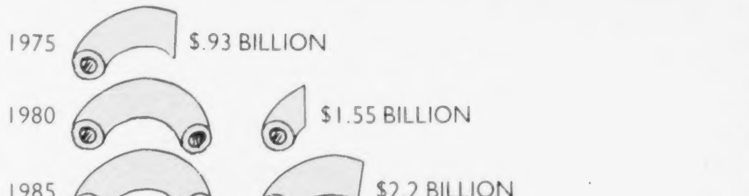
THE GREAT NOODLE BOOM

MANUFACTURER SALES OF PASTA: U.S.



INCLUDES FROZEN, DRIED, PACKAGED, CANNED PASTA.

MARKET SEGMENT REPORT
ITALIAN & PASTA

pointed with the experiment's results.

"After doing fresh pasta for a little over a year, we found that customers weren't interested in it," says Barr. "We also found that in many situations the product you make yourself isn't superior to dry pasta." Barr says that during the time fresh pasta was offered, it accounted for under 10 percent of the chain's total pasta volume. The Old Spaghetti Factory replaced fresh pasta with imported dried pasta as a result. But, says Barr, there's even less difference between domestic dried and imported dried. "The customer doesn't seem to have a preference one way or the other," he says.

Like other Italian chains, The Old Spaghetti Factory isn't planning major growth. Its newest restaurant opened in August 1985 in Louisville, KY, and the company is now planning to open one more restaurant this year.

In Atlanta, Bob Provissiero has his hands full with just one restaurant. Provissiero bought Joe Rigatoni's after the then three-unit chain went bankrupt in 1983. The only unit open today is the original restaurant. "Now is not the time to expand," says Provissiero. "The full service market is saturated and customers aren't as loyal as they used to be. Besides, people don't have the ethnic backgrounds they once had. There's no foundation in the customer's mind as to what a good sauce should taste like. They're all used to eating at chains. That's their yardstick today."

Provissiero says it's also become more difficult for restaurateurs to be authentic when chasing the upwardly mobile. "It's very difficult to risk making real Italian soul food nowadays," he explains. "Most people don't know what it is, don't appreciate it, and won't pay for it."

At Bennigan's, pasta accounts for two of the chain's top-selling entrees.

Stating that the target market is now fragmented, Provissiero says simplicity can be the key to success, sticking to menu items the customer can easily understand and identify with. Operational simplicity can also be important. About 30 percent of Joe Rigatoni's sales is generated through a pasta bar. Customers order a dish of their choice of pasta, which is served up plain within minutes. They can choose between fettuccine, spaghetti, linguini, fusili, or other pastas, each one pictured on the menu. "It gets them out fast, and it helps me out operationally," says Provissiero. "I didn't think I could produce consistently good pasta dishes from a production standpoint in the kitchen with the sort of volume we do."

Liquor sales at the Atlanta restaurant account for 30 percent of total sales, which according to Provissiero, will reach $1.3 million this year on an $11 average check. The art deco-designed restaurant seats 200 and offers live entertainment. Provissiero calls Joe Rigatoni's "a theme restaurant with Italian food."

Pasta House Co.'s Ferrara explains his chain somewhat differently. "We've taken gourmet Italian food and brought it out to the masses," says Ferrara. Pasta House Co. offers 25 different pasta items on an expansive menu which includes spaghetti, lasagna, shells stuffed with seafood, linguini with shrimp, cannelloni, and a variety of cream sauce pasta entrees.

Yet, according to Ferrara, the 26-unit Pasta House Co. remains a family-style restaurant. Average dinner check is about $9.50, including liquor, which accounts for 22 percent of total sales. "The family trade is where the market demonstrates its greatest strength," says Ferrara. "That's been a constant." Pasta House Co. owns 16 restaurants, with the remaining 10 franchised.

Restaurants average 6,000 sq. ft. of space, with seating for 160, and span four states—Missouri, Ohio, Tennes-

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MARKET SEGMENT REPORT

ITALIAN & PASTA

Although Americans rank Italian as their favorite type of ethnic restaurant, there are only 4,500 Italian restaurants in the U.S. They account for about one percent of all units, outstripped by Oriental.

see and Florida. With its stores primarily located in strip centers, the company will focus on major malls and freestanding locations when considering new restaurant development.

Ferrara also makes a point of touting his home city as a premiere restaurant market, especially for Italian cuisine. "St. Louis is probably the best kept secret in the country when it comes to Italian food," he says. "Don't forget, we have Tony's, and that's the only five-star Italian restaurant in the country."

GEOGRAPHIC DISPERSION. Arizona is probably less known for its Italian cuisine than St. Louis, but one of the state's restaurateurs is busy trying to make a mark. In Phoenix, Fred Don Dero is parlaying his traditional Italian concept into something few others have attempted, with a take-out lunch operation with delivery.

President of Pasta Segio's, on Phoenix's Camelback Rd., Don Dero began delivering lunch in late May. "There are so many offices on Camelback, I just couldn't miss out on the opportunity," he says.

Don Dero explains that by the second week of offering delivery service, 72 lunches were sold, almost double the number served inside the restaurant. Pasta Segio's offers eight different sandwiches priced between $3.50 and $5.25, as well as hot pasta entrees, prices at $5.50 to $6.50.

Available between 11 a.m. and 2:30 p.m., lunch is delivered in two cars, neither of which is equipped with warmers. "Delivery isn't ideal for every pasta restaurant," says Don Dero. "You've got to be very close to where you're delivering to." Pasta Segio's delivers anywhere within a four-mile radius, charges no delivery fee, and requires no minimum order. Nearby offices account for most orders. So far, delivery orders average $5.50.

Still, Pasta Segio's mainstay is the full service restaurant. Having closed a 3,200-sq.-ft. unit in Tempe, the Phoenix unit is the only Pasta Segio's open today.

A smaller unit, 1,400 sq. ft. with seating for just 62, the restaurant will do over $400,000 in sales this year. Another restaurant is scheduled to open in Scottsdale some time this year, a strip center unit located next to a Rusty Pelican and behind a Bobby McGee's. Pasta Segio's offers 24 pasta dishes, eight non-pasta entrees, and daily specials. The restaurant doesn't have a bar, and only serves beer and wine.

"We're basically a local place, and our customers are looking for traditional Italian food," says Dero. "The tourists go to the chains." Pasta Segio's decor is traditional, with a color scheme of red, white and green—17 tables with checkered tablecloths. Dinner for two, including wine, averages about $32.

ITALIAN TO GO. Take-out and delivery isn't often synonymous with Italian food—unles you're talking about pizza. But one Canadian chain hopes to change that. Burlington, Ontario-based Mother's Restaurants Ltd. operates 107 restaurants, of which 66 are full service units, and 41 are limited to take-out and delivery operations.

According to Jon Astrov, Mother's vice president of marketing, full service restaurants generate 70 percent of sales from the dining room, 20 percent through delivery, and 10 percent from orders taken out. Average unit volume at a full service Mother's is about $1.3 million (Canadian).

Mother's started out in 1970 in Hamilton, Ontario, selling pizza. As the chain developed, management wanted to add wine and beer, but couldn't because pizza was considered a snack food by authorities, so it couldn't be complemented by alcohol. To get around this, pasta was added to the Mother's menu, making the restaurant more of a restaurant than a pizzeria.

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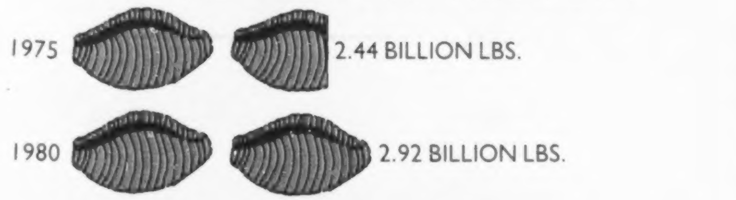
PASTA CONSUMPTION HITS BIG LEAGUES

TOTAL CONSUMPTION: U.S.



SOURCE: NATIONAL PASTA ASSOCIATION

MARKET SEGMENT REPORT

ITALIAN & PASTA

The greatest potential for pasta is now in menu additions at non-Italian outlets.

Now, pasta accounts for 50 percent of sales at full service Mother's restaurants, with pizza accounting for the other half. Pasta entrees included spaghetti, fettuccine, lasagna, and baked ravioli. Meat and meatless sauces, as well as cacciatore sauce, are offered.

Prices for pasta entrees range from $3.50 to $6.35 for lasagna, which is made in the company's commissary and delivered to stores. Entrees are a la carte, and include roll and butter, though the company is experimenting with combining the price of entrees with either a tossed salad or salad bar. "That's still in the planning stages," says Astrov. Mother's full service units offer seating for about 100 with full liquor service, which generates 12 percent of total sales.

The company, largely a family-oriented one, is now working on a new type of unit, which is designed to expand its customer base, as well as increase its after-9 p.m. business. The new approach is to couple a full service Mother's Restaurant with another area called Father's.

A LATE CROWD. "Father's is more of a masculine place, with a darker atmosphere," says Astrov. "We think this can generate business later on in the evening, and will also attract customers who don't want to sit in a dining room with a lot of families and kids."

In Kansas City, V's Pasta Parlor started out by going in the opposite direction of Mother's Restaurants. Starting out with V's Restaurant 23 years ago, a full service Italian restaurant, the Totta family spun off a fast food concept from that in 1979.

V's Pasta Parlor is only three units strong today, and all three restaurants are in Kansas City. The company had included two franchised units, which closed. Plans call for an additional two V's Pasta Parlors in the near term, however, probably company units. The chain operates 700-sq.-ft. units in food courts. It offers several different pasta entrees—including spaghetti, mostaccioli, manicotti, baked lasagna, and rotelli—plus two sandwiches called "Gondolas"—either with meatballs or sausage. Entrees are served with either tomato, meat, or garlic butter sauces.

Prego laid the groundwork for subsequent Spectrum Foods concepts.

Priced from $1.99 to $3.39, entrees are served in two to three minutes, according to Vincent C. Totta, a co-owner. Even lasagna, the chain's best selling item, which is pre-assembled then cooked to order in a radar range, comes in at under three minutes, says Totta.

Totta says that unit volumes range from $260,000 to $300,000 annually, based on a startup package of about $60,000. "Our equipment package isn't nearly as expensive as other fast food concepts," says Totta. "Almost everything is cooled in water, and since there's no frying we don't need to install expensive exhaust systems.

Relating V's to other fast food restaurants serving Italian entrees, Totta says a frequent mistake made is diversification of menu. "It's a big mistake when you start adding a lot of different items to your menu just to be safe," he says. "If you start trying to be everything to everybody you're bound to lose your way."

V's uses dried pasta, not fresh, and Totta doesn't expect that will change. "Fresh pasta doesn't taste like dry pasta, and it's dry pasta people are familiar with," explains Totta. "You not only have to give your customer a good product, but you've got to give them what they expect. And they expect what they get from dry pasta."

CAESARS' ENTRY. Also on the fast food front, Farmington Hills, MI, based Little Caesar's, the nation's third largest pizza chain, now operates 18 Pizza Stations. The pizza/pasta concept makes use of a pasta bar for cold pasta items, and also serves hot items from the kitchen.

Six different cold pasta items are included on the pasta bar: chicken pasta salad, antipasto pasta, Greek pasta, Caesar's Mediterranean pasta, with egg and spinach pasta, cheese cubes and vegetables, pasta with crab, pollock and creamy dressing, and Caesar's Delight pasta, with vegetables. The pasta bar includes a salad, soup bar, and fresh fruit bar, and is priced at $3.99 for all-you-can-eat.

The Pizza Station also offers lasagna for $2.59, spaghetti with meat sauce for $1.89 or with mushroom

Restaurants serving pasta, as well as the customers who dine on it, prefer dry pasta to fresh. Some chains, which introduced fresh pasta, met with resistance and returned to dry product.

sauce for $2.29, and spaghetti baked with cheese for $2.09 with meat sauce, $2.49 with mushroom sauce.

Though the traditional cuisine of Southern Italy clearly dominates the market, the new wave is from the country's northern region. Not only does the north produce a more sophisticated cuisine, but it appears that the dishes are more flexible. Northern Italian cooking appears as comfortable in an eclectic setting as in a strictly native dining atmosphere.

Not surprising, the foodservice industry has responded accordingly. Northern Italian restaurants—like Jerrico's Florenz—are cropping up. But restaurants with a more varied approach are also finding success adding certain Northern Italian items to their menu.

One chain that has chosen to expand strictly on its Northern Italian strength is Minneapolis-based Ciatti's Italian Ristorante. Now with five restaurants open, in Minnesota, Wisconsin, Indiana, and Tennessee, the company plans to open one more unit this year. Of the five restaurants open, four are company-owned, the other franchised. The company's first restaurant opened in Minneapolis in 1982.

Ciatti's number one seller is pasta—representing 60 percent of food sales—though its items are far from spaghetti and meatballs. To prove the point, seafood cannelloni in a white sauce is among the restaurant's top selling items.

As is the case with most Northern Italian restaurants, Ciatti's customer base isn't the family dining crowd. Northern Italian cuisine is for the upwardly mobile, more sophisticated consumer, whereas Southern Italian food attracts a more varied clientele with broader social backgrounds.

"We appeal to a customer whose palate has become more sophisticated," says Ciatti's co-owner Dan Danford, who founded the company with brother Phil Danford. "Our customer is looking for a high quality meal and a good value." Average check is about $9, including beverages. Northern Italian restaurants also frequently use fresh pasta, and Ciatti's restaurants do exactly that. In fact, all pasta as well as sauces are made on-premise daily.

SPECTRUM'S STRATEGY. In San Francisco, Spectrum Foods Inc. president Charles A. Frank says that, "There's a reason for that. High quality Northern Italian food cannot be mass produced." Speaking of Spectrum's Italian restaurant concepts—Prego, Chianti, Chianti Cucina, Harry's Bar & Grill, and Ciao—Frank points out that each must be individually operated. "Our restaurants require a lot of love, care and attention," he says. "I think that people who are doing Northern Italian food feel the same way, and as a result they're not out to mass produce."

Spectrum's president is adamant about this. "To the people who look for an Italian concept you can roll 40 out of in a year, I say there is no such concept. These restaurants are management dependent, not building dependent, so unless you're willing to make a commitment to good management you cannot be successful."

Spectrum's two newest Italian-inspired concepts are Spiedini and Spuntino. Spiedini—extracted from the Italian "spear"—focuses daily on a nine-pronged imported rotisserie unit. The six-foot-long piece of equipment will be used to make brochettes of meat, chicken and fish. Spiedini is a 5,500-sq. ft. unit inside a Walnut Creek, CA, office complex, with seating for 125 plus an outdoor patio area.

Spuntino means "little bite", and is therefore an appropriate name for Spectrum's other new concept. "People are into a la carte dining," says Frank. "We try to accommodate."

Adjacent to Harry's Bar in San Francisco, Spuntino is a fast service operation. Upon entering the unit a cashier presents the customer with a ticket,

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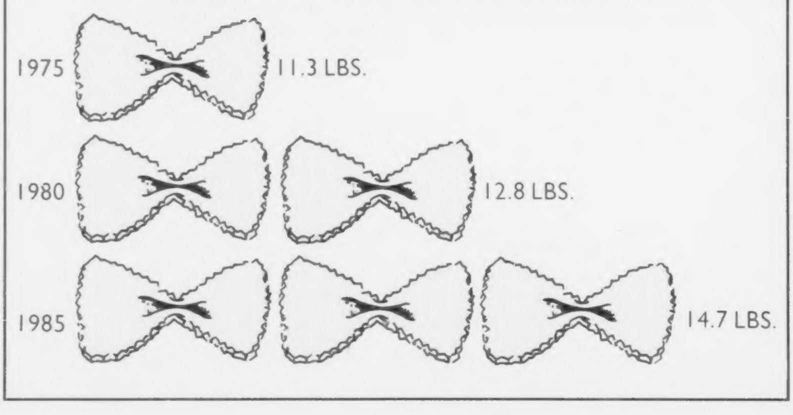
PEOPLE ARE EATING PASTA

PER CAPITA CONSUMPTION: U.S.



SOURCE: NATIONAL PASTA ASSOCIATION

MARKET SEGMENT REPORT

ITALIAN & PASTA

All-you-can-eat pasta accounts for 23 percent of entree sales at Joe Rigatoni's.

New pastas, especially varieties of tortellini, are growing in popularity.

which is punched to indicate a purchase at each station. Spuntino offers sandwiches, small pizzas, bakery items, even gelato and ice cream. "It's what we think the future is," says Frank.

G/R WEIGHS IN. At Gilbert/Robinson Inc., the Kansas City-based W.R. Grace & Co. subsidiary, co-president Frederick R. Hipp says the company's Fedora concept has been miscast by industry onlookers as the company's attempt at a Northern Italian cuisine chain prototype. Rather, he says, the European cafe is "clearly not an Italian restaurant" at all.

Fedora—with locations in Kansas City, St. Louis, and Tysons Corner, VA, features an eclectic menu which, according to Hipp, offers some Italian entrees and pasta items. "The closest thing to an Italian entree on our menu is saltimbocca," says Hipp. In July, Gilbert/Robinson was scheduled to open a fourth Fedora in Miami. No additional units are planned for the rest of this year, according to Hipp.

Regarding pasta as a menu item, Gilbert/ Robinson's co-president says the category might not be as hot as some people think. "Pasta has peaked out," says Hipp. "I think seafood has taken over as an alternative instead. Pasta is an item that is low fat, high carbohydrate, and tastes good, so health-conscious consumers latched onto it a couple of years ago. Today, there are more light, low fat alternatives for those people who got into pasta for health reasons."

Fedora offers five varieties of gourmet pizza, four pasta entrees, and an antipasta platter, though most of its menu consists of meat, veal, and seafood entrees. Most pasta items sold are done so as either lunch entrees or dinner complements. On a company-wide basis, pasta may account for about 10 percent of food sales, Hipp estimates, adding that pasta at the company's Houlihan's chain "wasn't a real big hit."

ANOTHER HEAVYWEIGHT. General Mills hopes it will have more luck with pasta. The company's restaurant division is set to expand its Italian dinner house concept, The Olive Garden. With 14 Olive Gardens operating currently, General Mills hopes to add another 25 before June 1987.

According to a company spokesman, most of the new units will be conversions. Having scrapped its Good Earth restaurant concept while retaining the real estate, some conversions will come from those closed units.

The Olive Garden's menu is split between Northern and Southern Italian entrees, including pasta, veal, chicken and fish. Decor is contemporary, with a garden-like setting, greenery, open space and white walls. Average check is about $9 to $10, and the company reports that unit volumes are running at about $2 million annually.

Red Lobster's pasta program has remained virtually unchanged since it was rolled out in 1984. Some new items are being added, and some have been removed from the menu, but the changes have been far from major.

NOT A TOP SELLER. Pasta entrees at Red Lobster restaurants include crab in Alfredo sauce, and Langostino in garlic butter, and the best selling pasta entree is the crab Alfredo. Only linguini is used in Red Lobster's pasta entrees. According to a company spokesman, pasta "isn't one of our hottest sellers. It's an alternative."

Scott Burcham, Benningan's vice president of marketing, agrees that pasta's growth has slowed industry-wide, although he maintains that the product still has "strong appeal." Bennigan's, operated by S&A Restaurant Corp., Dallas, a Pillsbury Co. subsid-

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MARKET SEGMENT REPORT

ITALIAN & PASTA

Independents will continue to dominate the Italian/pasta market.

iary, added pasta to its menu in November of last year. And, according to Burcham, the move is successful.

From a marketing standpoint, Bennigan's divided its pasta items into two separate categories—"pasta" and "linguini"—introducing each one at different times—pasta last November, followed by linguini in January.

"Pasta is a category of very wide appeal," says Burcham. "We felt that by separating it out into two categories we could get more mileage out of the introduction of each pasta group."

The Old Spaghetti Factory (above and left), pulled its pasta machines after a year-long stint, citing consumer dissatisfaction.

There are now seven pasta items on the Bennigan's menu, ranging in price from $5.95 to $8.45. "Of our top 10 entrees overall, two are pasta entrees, and out of our top 15 entrees three are pasta," says Burcham. "So, pasta has done very well for us."

Under the chain's pasta category are lasagna and Sicilian shells—spinach, cheese and meat inside pasta shells, fried lightly and served with marinara sauce. Tortelloni had initially been part of the pasta category, though it was dropped due to poor performance.

Under the linguini heading, five items are included: chicken pasta parmesan, served over linguini, linguini with clam sauce, seafood pasta, pasta primavera, and shrimp Palermo—shrimp, sausage and seasonings in a cream sauce served over linguini.

Pasta's introduction was a merchandising event for the 197-unit Bennigan's. Pasta was introduced under the banner of "Pasta Renaissance," while linguini made its debut following an event titled "The Amazing Linguini."

"We do event marketing," says Burcham. "The pasta introduction was definitely a merchandising event for us." Yet, Bennigan's promotion of pasta had nothing to do with price. "We didn't price-cut, we merchandised," says Burcham, who adds that the pasta category has done well without merchandising as well.

Proof of the fact that Americans like traditional Italian food, Bennigan's best selling pasta entree is chicken parmesan over linguini. Priced at $6.95, the item has also become the chain's second biggest selling entree.

FUTURE PASTA PLANS. S&A might be adding additional pasta items to Bennigan's, as well as to its Steak & Ale chain. But the company doesn't seem at all interested in developing an Italian dinner house concept. Says Burcham: "I don't think Italian cuisine would fit into a casual concept like ours." Burcham explains: What we do demands a lot of variety. Our customers want one thing this time, another the next time. A lot of people just want appetizers and a drink, which is very important to us."

Agreeing that casual theme restaurants depend greatly on the bar, Burchamn adds: "I'm not saying you couldn't have an Italian restaurant with a good bar business, but it just wouldn't be the same."

Alex. Brown's Glovsky sums the market up this way: "Adding pasta items, like adding Cajun food to a menu, is definitely the way to go. It makes sense because pasta is well accepted by consumers. However, I'm not so sure that Italian fits well into the casual dinner house format."

A BILL PUBLICATION

SEPTEMBER 20, 1986

19TH ANNUAL

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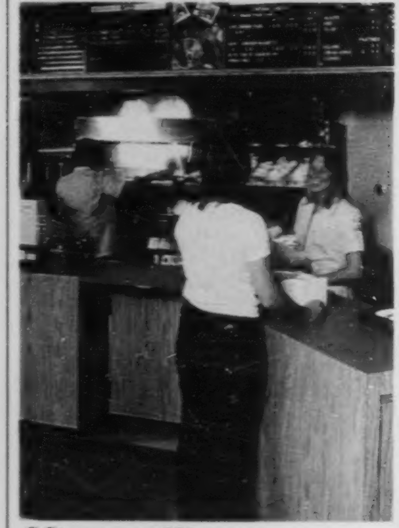

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131 **19th Annual Restaurant Growth Index.** *Our exclusive "state of the industry" report includes an analysis of the eight major industry markets and 40 subsegments—including reports on trends, sales, and growth potential—as well as a statistical profile of the nation's 317 metro areas, 214 ADIs, and Top 100 market rankings.*

Food and Beverage Ideas

253 **Drafts, Carafes, and Spirits.** *Beers From Around the World: Foreign beers and American "boutique" brews lend themselves to signature promotions. Merchandised effectively, they help build sales without promoting intoxication.*

267 **Menu Ideas.** *Despite nutritional misconceptions, the potato is one of our most-loved foods. In fact, the average per capita consumption of fresh potatoes is 55 pounds annually; of processed potatoes, 65 pounds. And potatoes lend themselves to a variety of creative recipes.*

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88 **Country Kitchen.** *Trading on its evocative name, this 250-unit Carlson Companies subsidiary has repositioned for renewed growth through franchising, stressing unit remodelings, an upgraded menu, and a new marketing program. The company will soon launch an economy lodging concept.*

96 **Magic Pan.** *This slimmed-down chain is repositioning with a new menu to attract a broader customer base and boost sales.*

102 **Cedars-Sinai Medical Center.** *With competition heating up, health care foodservice must stand up to the scrutiny of a more demanding consumer. Jerome Berkman, director of food and nutrition at the 1,120-bed, Los Angeles hospital, believes that success lies in adopting a hotel and restaurant mentality.*

106 **Maison & Jardin.** *This elegant, 175-seat restaurant, off the beaten path, boasts a sophisticated Continental menu, gracious ambience, and $1.2 million in annual sales.*

120 **The Smoking Controversy.** *While still recovering from DWI, the restaurant industry is again a political battleground as even greater forces work to change how it conducts business.*

126 **Cassano's Pizzas and Subs.** *Greyhound Food Managment has fine-tuned this 75-unit addition to its growing fast food portfolio.*

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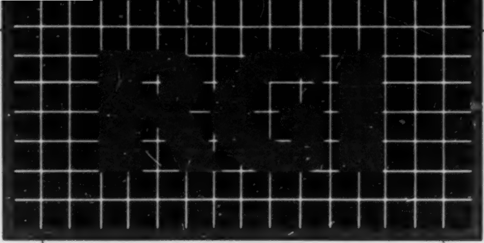
Restaurant Business

COVER STORY

19TH ANNUAL

RESTAURANT GROWTH INDEX

The 19th Annual Restaurant Growth Index (RGI) is our exclusive analysis of the foodservice industry. It begins with a comprehensive report on the eight major market segments—separate eating and drinking places, hotel/motel, transportation, leisure, retail, business and industry, student, and healthcare—and 40 submarket segments. Following this study on page 176 is our statistical profile of the nation's 317 metropolitan areas and 214 ADIs.



In this year's edition of the Restaurant Growth Index (RGI), we provide hard data for 1984, best estimates for 1985 (the last full year), and a five-year projection to 1990 for planning purposes and to quantify trends in the marketplace.

Foodservice sales in 1985 advanced 5.6 percent to a total of $174.2 billion, a nominal gain of $9.3 billion or a real gain of $3 billion. This is one-half the gain of last year. 1985 was not a vintage year for the foodservice industry. Growth was crablike—mostly sideways. Nor is spectacular growth for the industry over the next five years likely.

CONSERVATIVE FIGURE. The 1985 size of the foodservice industry, at $174.2 billion, is a conservative figure as it does not include a commerical equivalent dollar volume for military feeding (troop feeding) or school foodservice (we count as actual sales *only cash paid* by the students), and it does not include vended can soft drinks or vended candy. We show food and beverage (alcoholic and non-alcoholic) sales for establishments with payroll only.*

For 1990, a landmark reference point, we project foodservice sales of $243 billion, just shy of one-quarter trillion dollars or slightly *more* than the increase in the national debt this year. The compound growth rate is 6.9 percent, or $68.7 billion, over five years. *In real terms,* the growth rate is 2.7 percent, or $24.4 billion. This is equivalent to the 1985 foodservice market being 14 percent larger, or the addition of about two entire worldwide McDonald's systems. Even though we view inflation as decreasing from previous years' levels, with an estimated 4.22 percent compound annual increase over the 1985-1990 period, real growth is only 35.5 percent of total growth.

The reason for a lower-than-historical growth rate is that the conditions for a high real and total growth rate have changed. We have increased the available supply of stores from a deficit to an oversupply—*the storing of America*—at the same time that green field sites are not being created in significant numbers. Major chains have been and still are opening up significant numbers of stores as part of a strategy to maximize convenience to the customer base. Most restaurants in America are not destination restaurants and due in part to the numbers of locations, particularly for fast food restaurants, the eating-out public and the take-home public do not and now *need not* go out of their way to satisfy their needs. To some extent, the behavior on the part of the chains is a preemptive strike which is characteristic of market share fights.

THE CONSUMER PICTURE. The consumer side of things does not look especially promising. The growth in the proportion of working women, which has been a major factor in foodservice growth, is slowing down—the number of women entering the workforce has already peaked. Consumer lifestyles have shifted to more home-centered activities, including the heavy use of VCRs. Growth in income is lackluster; wage gains are limited as the huge baby boom generation moves squarely into the mature workforce and by our noncompetitive cost position in world trade. The consumer, who is not getting high wage increases, is also financing purchases of large ticket items on credit and is cash-poor, a situation which is likely to persist for the next several years.

For the mass market, growth will be keyed to convenience and perceived price-value satisfaction. American consumers want to save time and get the best value for their dollar. Taking into account this background of basic consumer conditions, the winners and los-

Industry Real Growth Summary

	1984 % Real Growth Rate	1985 % Real Growth Rate	1985-1990 % Real Compound[1] Annual Growth
Total Market	4.0	1.8	2.7
Commercial/Contract	4.8	2.3	3.1
Institutional/Internal	−1.1	−1.2	−0.8
Military	3.6	3.1	1.8
MAJOR MARKET SEGMENTS:			
Eating/Drinking Places	4.8	1.9	2.7
Eating Places	5.5	2.4	3.2
Full Menu Restaurants & Lunchrooms	4.9	2.1	2.6
Limited Menu Restaurants	6.5	3.0	3.9
Hotel/Motel Market	5.2	2.8	3.3
Transportation Market	5.5	5.8	5.5
Leisure Market	0.9	1.1	2.3
Retail Market	10.8	10.7	10.6
Business/Industrial Market	4.3	0.8	1.5
Student Market	−0.2	−0.4	−0.9
Health Care Market	−2.3	−1.6	−0.9

1. Wholesale food price index will increase at 2.14% compound annual rate for the five years 1985-1990. This is a modest drop from the 1984-1989 rate of 3.15%. Menu prices will increase at a 4.22% compound annual rate for the five-year period 1985-1990.

Foodservice Industry Summary

	1984 Sales ($000,000)	1984 Units	1984[1] Purchases ($000,000)	1984 vs 1983 % Sales Growth	1985 Sales ($000,000)	1985[1] Purchases ($000,000)	1985 vs 1984 % Sales Growth	1990 Sales ($000,000)	1985-1990 % Compound Annual Sales Growth	
									Nominal	Real
Total Market	164,950	590,199	68,582	8.4	174,253	71,676	5.6	242,992	6.5	2.7
Commercial/Contract	143,263	440,895	54,311	9.1	152,171	57,404	6.2	217,814	7.4	3.1
Institutional/Internal[2]	20,861	148,048	12,014	3.8	21,198	12,024	1.6	23,990	2.5	−0.8
Military[3]	826	1,256	2,257	7.8	884	2,248	7.0	1,188	6.1	1.8
MAJOR MARKET SEGMENTS										
Eating/Drinking Places	112,776	317,920	39,510	9.0	119,369	41,811	5.8	167,929	7.1	2.7
Eating Places	104,521	260,099	36,564	9.7	111,131	38,871	6.3	159,541	7.5	3.2
Full Menu Restaurants	55,112	124,869	19,622	9.1	58,444	20,808	6.0	81,688	6.9	2.6
Limited Menu Restaurants	43,719	117,604	14,950	10.7	46,736	15,981	6.9	69,568	8.3	3.9
Hotel/Motel Market	10,026	25,785	3,212	9.4	10,698	3,426	6.7	15,470	7.7	3.3
Transportation Market[4]	2,528	423	1,104	9.4	2,774	1,211	9.7	4,432	9.8	5.5
Leisure Market	4,737	19,834	1,780	5.1	4,975	1,868	5.0	6,847	6.6	2.3
Retail Market	5,394	87,384	1,890	15.0	6,184	2,162	14.6	12,554	15.2	10.6
Business/Industrial Market	9,601	11,427	9,871	8.5	10,045	10,041	4.6	13,335	5.8	1.5
Student Market	8,194	93,453	5,179	5.5	8,508	5,096	3.8	10,014	3.3	—0.9
Health Care Market	11,484	32,986	5,609	2.5	11,536	5,648	0.4	12,415	1.5	—0.9

1. Purchases include all food, nonalcohol and alcoholic beverages (does not include equipment or supplies).
2. Community center sales and purchases which are counted in Institutional/Internal sales and purchase totals are not shown in detail in the eight major groups.
3. Sales data based on post exchanges and military clubs; purchase data based on post exchanges, military clubs and troop feeding.
4. Sales of terminal facilities and highway (interstate) are included in Eating Places for addition to total market figures.

Note: Full menu and limited menu restaurant sales are included in eating place sales. Eating place sales are included in eating and drinking place sales and should not be added with other major market segments to arrive at total market sales.

ers show up with some clarity.

WINNERS AND LOSERS. The big winners are the convenience food stores and gasoline service stations which sell meals and snacks, and the grocery stores which are making it much easier to buy take-home foods or on-the-spot, impulse food purchases. The convenience store grouping is by far the fastest-growing subsegment, with a compound annual growth rate of 21 percent. This high-powered growth steals some of the thunder from traditional fast food growth; by 1990, foodservice in the convenience store group will comprise 12.2 percent of all fast food sales (versus 7.0 precent of fast food sales in 1985).

The transportation market will do quite well—at 5.5 percent real growth—because of consumers' desire for experience and their ability to fulfill that desire by taking advantage of low promotional airfares and price wars among the carriers. As a partial consequence, hotels will do modestly well with 3.3 percent growth.

The big losers are centered in the institutional sector of the foodservice marketplace with Hospital—Internal a major loser, down 3.6 percent in real growth because of reductions in patient stays resulting from government cost-cutting. The College—Internal submarket also loses (down 3.1 percent) as the college population declines. However, there are opportunities for contractors in each of these markets as management and cost containment become more valued.

SUMMARY. In summary, the prospects are for continued but moderate growth. The continuing consolidation of the industry in a tougher operating environment will give rise to mergers and business failures, but will also create new opportunities for savvy businessmen. Convenience and the maintenance of a standard of quality will be the industry's primary growth motivators for some time to come. ▣

**Higher sales values can be generated by approaching the data somewhat differently.*

If we adjust our figures to reflect the higher sales values generated by the addition of military troop feeding and school foodservice commercial equivalents and the additional volume in vending categories now included, we would show industry sales $19.5 billion higher for a new total of $193.8 billion. This total is 11.2% higher than our basic estimates.

In our view, these adjustments are not valid because they produce a result which is in turn inflated (military and school feeding), and not comparable (candy sales are not included in the Census of Retail Trade's merchandise line for meals and snacks, non-alcoholic and alcoholic beverages). In the case of can and bottle soft drinks through vending machines, they are sold through a restricted wholesale distribution network.

This summary was prepared by RBI research and Malcolm M. Knapp, president of Malcolm M. Knapp, Inc., New York. The 1984 sales and purchases data used in this report—covering growth in nine major markets and 40 submarkets—were prepared by Mr. Knapp under contract with the National Restaurant Association (NRA), Washinton, DC. Estimates for 1985, and projections to 1990, were prepared specifically for Restaurant Business Magazine.

SEPARATE EATING AND DRINKING PLACES

Restaurant operators today are competing in a challenging marketplace which revolves around the demands of a knowledgeable, discerning consumer. With more dining out options than ever, plus more prepared foods to bring home, consumers have learned to be choosy. They have high expectations in terms of quality and convenience, and they know they have the right to demand either—and sometimes both—at reasonable prices.

To remain profitable despite the competition, restaurant operators are finding ways to do business more creatively and less expensively. They are looking at additional ways to attract customers, by adding services such as take-out and delivery, and by tailoring flexible menus and hours of service to patrons' needs and tastes. To help keep the bottom line solid, they are building smaller, more productive units where extensive seating is not necessary, and they are co-building units with other concepts which saves on real estate costs. They are marketing foods that appeal to Americans' interest in fresh, light, wholesome foods—salads, pasta, fish—and to their desire for treating themselves—home-baked goods, premium ice creams, and chocolate, chocolate, chocolate. And they are experimenting with ethnic and other trendy foods that cut the boredom factor and bring in new customers.

BISTROS ARE BOOMING. Bistros—informal restaurants with table service, quality food, and reasonable prices—are catering to the consumer who has accepted eating away from home as a fact of daily life. Borrowing from European influences—where brasseries, bistros, and cafes are a convivial experience at any time of the day or night—chains and independents are adapting this comfortable eating format to their individual markets. Such concepts seem the perfect way to attract the affluent, 25- to 45-year-old set that is driving the frequency dining boom.

Convenience and price-value are driving the segment, giving rise to many new concepts.

In many ways, the new bistros are a step up from the casual theme restaurants so beloved in the late '70s: They have more sophisticated food and ambience, yet still weigh in on a moderate price point. Lane Cardwell, senior vice president of strategic planning for Dallas-based S&A Restaurant Corp., calls it casual dining with class.

NICE EXPERIENCE. "People don't have to give up comfort, quality food, and sometimes even elegance for casual attire," he says. "They want a nice experience; they don't want to make a big deal of it." Responding to a consumer desire for bistro-type restaurants, S&A has added two such concepts to its Bennigan's and Steak and Ale chains: Bay Street and Key West Grill. Bay Street features a seafood/Cajun/pasta menu in a relaxed room with big overhead fans and a Cape Cod ambience. With nine open, seven more due by May, 1987, and 100 by 1990, S&A is demonstrating a sincere commitment to Bay Street. The 250-seat units generate average annual volumes exceeding $2 million each, with checks averaging $8 for lunch and $15 for dinner.

Complementing Bay Street is Key West Grill, a new Caribbean-style concept with a more casual decor; the first was set to open this month. Grilled meats and seafood distinguish the menu, and additional specialties include stone crab claws, smoked baby back ribs, conch fritters, beer cheese soup, and key lime pie; entree prices range from $3.95 to $12.95. With 224 seats, the first unit is expected to generate annual sales of $1.5 to $2 million.

CITIFIED. In large cities such as New York, Chicago, and Los Angeles, the bistro trend often combines unusual but casual decors with selections of quality foods. In New York, Fiasco serves Northern Italian cuisine in a "high-class, funky" atmosphere, says Leonard Friedman, who owns Fiasco with his wife Carol Ann Friedman and partner Arlene Towers. "I think people are tired of going to a high-ticket restaurant and acting like stuffed shirts," Friedman speculates. "They want a quality product in a relaxed atmosphere where they can enjoy themselves and come back more than once a month." From Fiasco's varied menu, a variety of pastas and an assortment of seafood dishes sell well to a strong repeat base of neighborhood residents and trend-conscious Manhattanites who travel to dine there. A la carte entrees run from $8 to $12. Fiasco's chic decor combines grey walls splashed with paint, fanciful wall sconces and butcher paper-covered tables.

In Chicago, an upscale bistro-style restaurant called Zincs, owned by the investor group Presidential Zinc Inc., is bringing "everyday" French food to its own loyal customer base in Chicago's burgeoning West Loop area. Located in what will be a 2,400-unit residential complex—only a 10-minute walk from the Loop's business area—Zincs specializes in baguette sandwiches, French-style pizzas, and classic French entrees selling to a well-

Cafe Ba-Ba-Reeba, one of Lettuce Entertain You's newest restaurants in Chicago, specializes in tapas (Spanish appetizers), tapping both the ethnic food and grazing trends.

PHOTO BY STEINCAMP & BALLOGG

heeled customer base. Although it's presently operating out of a satellite kitchen and serving only in the bar area, upon completion next month Zincs will include a 100-seat dining room plus another 180 bar and banquet seats.

"The long-term success of the brasserie-style restaurant in France convinced us of the possibilities here," says manager Betsy Levin. "We offer a good price-value relationship and quality food." Sandwiches on the present menu average under $4, and, although more expensive choices will be offered out of 75 selections, the dining

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room menu will include fixed price meals for $9 to $13.

"People are going out to eat more and more, and a concept like ours won't tire as trendy concepts do," predicts Zincs' general manager Michael Sacks.

In Dana Point, CA, 200-seat Picasso's features "creative continental cuisine" in a room studded with palm trees and pink lighting, which the owners refer to as "tropical elegance." Picasso's bistro-style concept features a jazz band on an outdoor patio and fine foods such as escargot casserole and roast duck in tamarind sauce. Checks average $10 for lunch, $25 for dinner.

RETRO. A move back to restaurants resembling the diners of decades past also blends into the bistro/casual dining. Although interpretations differ with every owner, these casual restaurants serve reasonably priced meals of good food for competitive check averages. Fog City Diner, in San Francisco, serves contemporary American cuisine in an atmosphere of quilted steel and black-and-white tile. Betty Brown's, in New York, features nostalgic foods like cheeseburgers, American chop suey (ground beef, elbow macaroni, and spaghetti sauce) and soda fountain specialties by the dozens. And Denny's Inc., the 1,000-plus unit chain based in La Mirada, CA, began testing Brentwood's, an upscale version of an old-fashioned coffee shop. The one-unit test, in Costa Mesa, CA, is open 18 hours a day. Its decor is more upscale than Denny's, with pastel colors and curved-back chairs. Food choices are more creative, with options such as French toast made with corn flakes and Italian-style frittatas. A separate bar area serves wine and liquor. Checks average $4.95 for breakfast, $8.95 for lunch and dinner.

Healthy and light foods have become mainstays on many menus, offering patrons a choice.

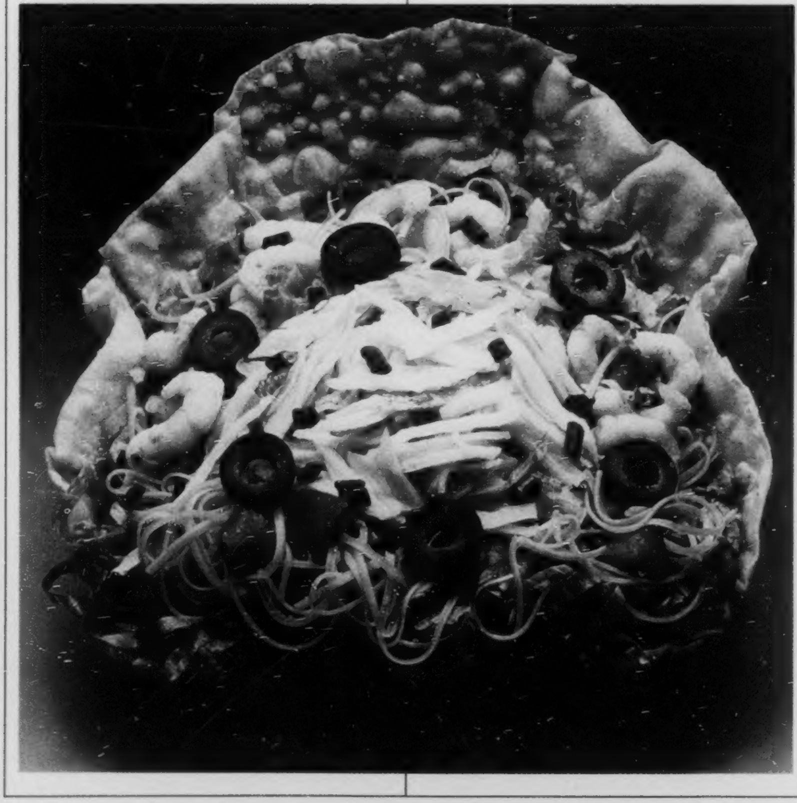
SUITABLE FOR SAMPLING. Casual dining with quality food and reasonable prices is manifesting itself in another way—with grazing restaurants. Flexible, all-day menus comprised of mix-and-match appetizers, with or without a generous selection of entrees, distinguish the restaurants that cater to a busy, sophisticated customer who may not want a full meal but who does want quality food.

Chicago's Lettuce Entertain You Enterprises, the innovative company headed up by Rich Melman, opened its version, Cafe Ba-Ba-Reeba, earlier this year. Featuring Spanish cuisine in "tapas" portions, Cafe Ba-Ba-Reeba is educating the consumer to an unfamiliar cuisine and an unfamiliar eating style simultaneously.

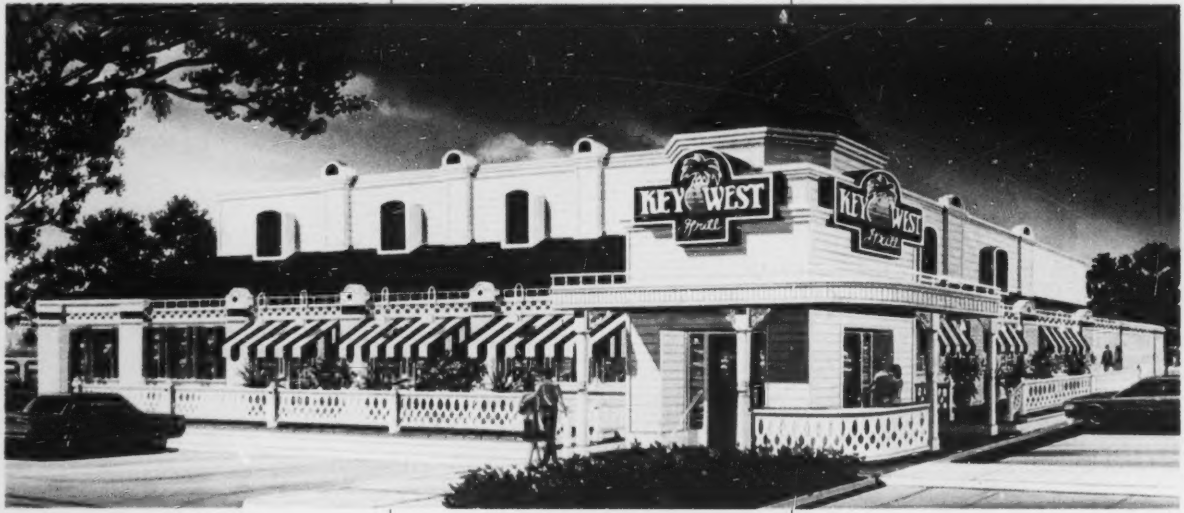
GRAZING. New American cuisine, appetizer-style, is bringing in the pre-and post-theater clientele of New York City's Broadway area at Square Meals, owned by Mark Gerstein and Kevin Flanigan. Here, bite-sized foods are thought of as building blocks to a whole meal.

In Los Angeles, La Menagerie, owned by John Groene and Robert Blaisch, serves small portions of food with Oriental and European influences; McAbee Beach, owned by Jack Dravinski and Glenn Hammer, does it with California Cuisine; and Piero Selvaggio's Primi serves Italian cuisine grazing style: antipasto, pastas, and other foods suitable for sampling.

"Niche marketing" is the phrase of the year when it comes to new con-



Taco Bell was among the legion of chains which added salads and light foods to counteract the customer "veto factor." Pictured is a seafood salad in a taco shell.



Key West Grill, set to open this month, is S&A Restaurant Corp.'s entry in the booming bistro field; bistros are viewed by many as the logical evolution of the casual dining trend.

cepts; the widespread, competitive emulation that ensues when it seems as if an operator has found an untapped niche has given rise over the past few years to a number of wildfire trends, including the pizza-and-entertainment concepts and the gourmet burger boom (both of which turned out to be a disappointment). Though some of these "niches" may have all but disappeared, never fear the demise of the creative businessman: New trends are underway.

FIND THAT NICHE. The Sunbelt, for instance, sees a proliferation of burger express restaurants, drive-thru and walk-up-only limited menu fast food restaurants. As many as 20 chains are declaring regional dominance and planning to franchise all around the country in no time at all. By selling quarter-pound hamburgers for under a dollar and one size each of soft drink and fries, owners of the burger expresses find that investments as low as $150,000 bring in sales of $500,000 in a year. Because the buildings are so small (as little as 12 ft. x 12 ft.) and no parking lots are required, burger expresses can sit on odd-shaped lots and shopping center pads, requiring inexpensive real estate while maintaining visibility. Major players include Central Park (based in Chattanooga, TN), Beefy's (Nashville), Grand Junction (Lexington, KY), Skooters (Birmingham, AL), Buns (Atlanta), and Hooker's Hamburgers (Naples, FL).

Established fast food hamburger chains including Hardee's (Rocky Mount, NC), Sonic (Oklahoma City), and Whataburger (Corpus Christi, TX) are testing express units similar to those of the new chains, planning to use the smaller, limited-menu prototypes to fill in existing markets.

BAKERY BOOM. Cinnamon rolls and muffins are the feature of another booming niche of limited-menu foodservice enterprises. Following Kansas city, MO-based T.J. Cinnamons, the growing chain operated by Ken Hill, formerly president of Gilbert/Robinson, businesses such as Chicago Cinnamon Company are lining up customers. Baking is also big business for a number of operators cashing in on the popularity of muffins—perceived as healthier than donuts and Danish—such as Chicago's All My Muffins, Canada's Muffin Oven with units in Los Angeles, and Chicago's one-unit Newbury Muffins. And consumers' interest in quality baked goods in general has prompted many operators to promote on-premise bakeries, including the Dallas-based Black-eyed Pea chain of homestyle restaurants and Carrows Restaurants, a 90-unit coffee shop chain out of Santa Barbara, CA.

HEALTHY STAPLES. Don't be misled by all the success the purveyors of high-calorie foods are having, however: The consumer who eats out often *does* want a choice of a healthier or lower-calorie option when dining out. It's just that when he indulges, he wants the best. Many of the chains that targeted the market seeking a healthy meal straight on have met with difficulties. A number have filed for bankruptcy, and others have experienced either growth stagnation or have closed units. The troubles of chains including D'Lites of America (based in Norcross, GA), The Good Earth (Orlando), Nankin Express (Eden Prairie, MN), The Fresher Cooker (Louisville, KY), and Tokyo Bowl (Aurora, CO), indicate that a restaurant specializing in healthy food isn't likely to draw a sufficient market share.

Taking their place for health- and calorie-conscious eaters are pasta, seafood, and salad additions to menus at other restaurants. Although they're not new, these foods have recently es-

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tablished themselves as new staples of American eating.

VETO FACTOR. Many chains have found that offering alternate choices of healthy foods eliminates the "veto factor" of one member of a group who is watching his consumption. Wendy's International (headquartered in Dublin, OH), Burger King (Miami), and Carl's Jr. (Anaheim, CA) attacked the problem first by offering salad bars, and last year Wendy's also began merchandising a light menu, while Burger King more recently replaced beef fat with vegetable fat for cooking all fried items except fries. McDonald's is experimenting with alternative oils too.

Taco Bell, based in Irvine, CA, added a seafood taco salad. Long John Silver's Seafood Shoppes (Lexington, KY) and Arthur Treacher's (Youngstown, OH) are trying broiled or baked fish platters. Country cookin' Po Folks Inc., Nashville, added three salads to its menu: chunks a' chicken salad, seeshore salad, and shef's salad (sic). Bob Evans Farms, out of Columbus, OH, added five charbroiled entrees (barbecued chicken, pork chops, ribs, steak, and halibut). Steak and Ale, Dallas, TX, added baked fish platters to its dinner menus, with unit managers choosing from four to seven selections from a total of 15 per day. Even Friendly Restaurants, Wilbraham, MA, a coffee shop chain known for its ice cream, rolled out a light menu this year.

Competition has forced many players to add new menu items just to keep market share.

DELIVERY'S DOMINANCE. Tailgating on Ann Arbor, MI-based Domino's Pizza's success, chains and independents nationwide are gearing up with plans to be the number two pizza deliverer. With special delivery-only stores, Wichita, KS-based Pizza Hut is hoping to beat them all by using its financial resources to catch up to Domino's first. But Tulsa, OK-based Ken's Restaurant Systems is also rapidly expanding its Scooter's Pizza Delivery chain, which is also testing chicken delivery; Memphis-based Dobbs Houses is testing its DePizza Delivery concept; Pizza Transit Authority, formerly of Chapel Hill, NC, is rethinking its concept under the new ownership of former franchisee Pizza Delivered Quick, of Lexington, KY; and nearly every already-established pizza chain is adding or testing delivery to keep up with competion. In fact, Little Caesar Enterprises, the 1,000-unit chain based in Farmington Hills, MI, is the only major player featuring neither seating nor delivery. Price-value and convenient take-out service remain Little Caesar's niche, as it sells two pizzas for the price of one.

Delivery is expanding beyond the realms of pizza. Chicken—an item both popular and portable—is joining pizza in thermal bags, and everyone's trying to find a way to deliver hamburgers, Chinese food, and gourmet salads. Besides Scooter's, Golden Skillet International (Richmond, VA) and Kentucky Fried Chicken (Louisville, KY) are testing delivery of fried chicken, while Dino's Chicken (Lexington, KY) sells take-out and delivery-only charbroiled and barbecued chicken, and Wing'N It, owned with Numero Uno by Gelet Enterprises of Woodland Hills, CA, sells take-out and delivery-only fried, barbecued, and marinated chicken.

BIGGER, BETTER BURGERS. The fast food hamburger chains spent the year—as usual—fine-tuning their menus. Three of the big four "improved" their burgers: McDonald's added the McD.L.T., Burger King enlarged its Whopper, and Hardee's introduced a completely new burger product. Hardee's and McDonald's are also implementing improved cooking equipment in their units: They're testing top-side grills, which cook the hamburgers from the top and bottom at the same time, which reduces cooking time, prevents shrinkage, and results

Chicken Nuggets
Roy
Chicken Nuggets
Roy Rogers

Nugget Mania continues: Roy Rogers was one of the latest companies to add this ever-popular finger food to its menu, joining Wendy's, Burger King and, of course, McDonald's.

1984: $112,776,000,000 + 9.0% Sales Growth   1985: $119,369,000,000 + 5.8% Sales Growth

Separate Eating & Drinking Places

1990: $167,929,000,000 + 7.1% Compound Annual Sales Growth

	1984 Sales ($000,000)	1984 Units	1984 Purchases ($000,000)	1984 vs 1983 % Sales Growth	1985 Sales ($000,000)	1985 Purchases ($000,000)	1985 vs 1984 % Sales Growth	1990 Sales ($000,000)	1985-1990 % Compound Annual Sales Growth	
									Nominal	Real
Separate Eating Places	104,521	260,099	36,564	9.7	111,131	38,871	6.3	159,541	7.5	3.2
Full Menu Restaurants & Lunchrooms	55,112	124,869	19,622	9.1	58,444	20,808	6.0	81,688	6.9	2.6
Limited Menu Restaurants	43,719	117,604	14,950	10.7	46,736	15,981	6.9	69,568	8.3	3.9
Public Cafeterias	3,166	6,079	1,144	8.4	3,273	1,183	3.4	4,486	6.5	2.2
Social Caterers	1,241	3,581	459	8.1	1,302	482	4.9	1,829	7.0	2.7
Ice Cream, Frozen Custard Stands	1,283	7,966	389	9.3	1,376	417	7.2	1,970	7.4	3.1
Bars & Taverns	8,255	57,821	2,946	1.2	8,238	2,940	−0.2	8,388	0.4	−3.7
Total	112,776	317,920	39,510	9.0	119,369	41,811	5.8	167,929	7.1	2.7

in a plumper burger. Remote earphones are another innovation in fast food restaurants. In high volume units, an employee sits near the order board so customers speak directly with the person, who then communicates the order via two-way radio to the kitchen. The remote earphones are geared to reduce errors.

NUGGET MANIA. But the burger chains seem most excited about boneless fried chicken. Echoing on the success of McDonald's McNuggets, most chains that didn't add nuggets to their menu boards last year added them this year. Burger King debuted Chicken Tenders, Wendy's offered Crispy Chicken Nuggets, Roy Rogers came out with Chicken Nuggets, and Hardee's is rolling out two nugget products—a processed nugget and a whole muscle nugget—and will decide which to use in specific markets depending on the competition. Nuggets are not confined to hamburger and chicken chains alone. Long John Silver's Seafood Shoppes improved its Chicken Planks, and Taco Time International (based in Eugene, OR), a fast food Mexican chain, introduced Nuggets Ole! Dairy Queen/Brazier of Minneapolis took the nugget a step further by developing the beef nugget.

Hoping to find its own niche within the breakfast daypart, Wendy's last year rolled out a made-to-order breakfast into all its units nationwide. A few short months later, pointing to a soft market for restaurants in general, Wendy's repealed the requirement to serve breakfast, offering franchisees the option instead in each unit.

DOUBLE DEVELOPMENT. Sharing strengths and resources, restaurant chains are co-building real estate with other foodservice concepts, lodging facilities, and convenience store chains. The result is joint building: Two unrelated concepts share a lot or a building and, while conserving real estate costs, profit from each other's business. In some cases, one franchisee will own both concepts. In other cases, one company will franchise the other's concept. A third option is for both companies to own their halves.

Over the past year, a number of foodservice companies decided to co-develop restaurants on lots with other restaurants or businesses of other kinds. Taco John (Cheyenne, WY) and Bresler's 33 Flavors (Des Plaines, IL) are co-building units. So are International Dairy Queen and Mister Donut, both of Minneapolis, and Dairy Queen and Grandma Gebhard's Cookies. Taco del Sol, based in Lincoln, NE, is sharing a lot with its own more upscale concept, Tia Zia.

In marriages between foodservice companies and other chains, La Mirada, CA-based Winchell's Donut Houses, hooked up with ARCO's AM/PM gas station convenience stores; Hooker's Hamburgers agreed to build on Circle K lots; Skooters matched up with Cubberds conve-

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nience stores; and Wendy's made plans to build on K-Mart lots. The 7-Eleven convenience store chain has agreements for three restaurant chains to open units on its sites: Hardee's; Church's Fried Chicken (based in San Antonio, TX), and Rocky Rococo (Madison, WI). Wendy's is also hooking up with Atlanta-based Days Inns of America, and Arby's has second shot at those lots. Denny's is building on San Antonio, TX-based La Quinta Motor Inns lots; TGI Friday's, headquartered in Dallas, is opening on Minneapolis-based Radisson Hotel lots; and Shoney's (Nashville) continues to build on Shoney's Inn lots.

Convenience may be the growth niche of the '80s—good news for take-out and drive-thru.

BIG BUSINESS. Consolidation continues to keep the restaurant industry in the news. W.R. Grace of New York bought the seven-unit, Washington, DC-based American Cafe group; Ramada, headquartered in Phoenix, bought Long Beach, CA-based Marie Callender Pie Shops; Greyhound Food Management, also of Phoenix, bought Cassano's Inc. of Dayton, OH. Friendly Ice Cream Corp.—parent of Friendly Restaurants—after 50 years of conservative growth, purchased two small family restaurant chains: Franklin's (Kingston, PA), and the Idlenot Farm restaurant chain (Springfield, VT). Collins Foods International of Los Angeles bought half of Naugles, Inc., Fullerton, CA, although the Mexican fast food chain continues to struggle with decreased customer counts.

GETTING BIGGER. In a move making two giants even bigger, Marriott Corp., Washington, DC, announced plans to acquire Menlo Park, CA-based Saga Corporation, the diversified foodservice company that encompasses contract catering, dinner houses, and fast food restaurants. It also purchased the restaurant division of the Howard Johnson

Sophisticated dinner houses like S&A Restaurant Corp.'s Bay Street entice customers with moderately priced menus, high-quality fresh foods, and a casual yet stylish ambience.

BISCUITS, BURGERS,

Skooters, "The Biggest Name in Little Restaurants," represents the growth of burger express chains expanding in the Sunbelt. Drive-thru/walk-up service and limited menus distinguish the concepts.

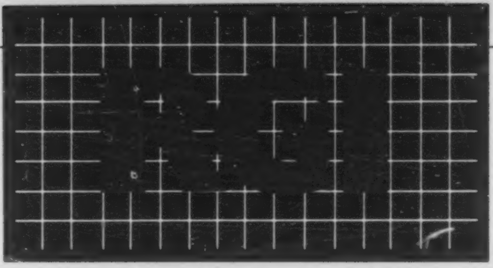
Company, North Quincy, MA. Dallas, TX-based USACafes, Inc., parent of Bonanza, spent most of the year chasing—unsuccessfully—competitor Ponderosa Inc., Dayton, OH. Custom Creamery bought Orange Julius International, Santa Monica, CA, and adopted its name. And PepsiCo, the Purchase, NY-based owner of Pizza Hut and Taco Bell, agreed to purchase Kentucky Fried Chicken, a move which would make PepsiCo the largest foodservice company in the country.

"I think the trend toward consolidation will continue," predicts industry analyst Steven Rockwell, vice president of Alex. Brown & Sons Inc., Baltimore. "The overall growth of the market has been slow the last couple of years due to soft demand, and that doesn't seem to be changing. The result is that a number of companies are performing very poorly, and that presents them as attractive acquisition candidates. In fact, for the real estate alone they are worth buying."

Consolidation won't significantly affect the nature of the restaurant market, however, Rockwell projects. "The top 100 chains still account for only 40 to 45 percent of total eating and drinking place sales, which means that the industry is still very highly fragmented," he notes.

BUYING OUT. Leveraged buyouts haven't yet let up either. Over the past year, executives of Jack In The Box, San Diego, and Sonic Industries Inc., Oklahoma City, announced leveraged buyouts. W.R. Grace's California-based restaurant group is in the process of undergoing a leveraged buyout. Executives of Pizza Inn Inc., Dallas, this summer announced plans to initiate one. And when Minneapolis-based Pillsbury bought Diversifoods, Chart House executives proposed a leveraged buyout of the dinner house chain.

And as if competition were not enough, operators face the often-unforeseen irritations born in the legislative buildings of Washington. With budget-cutting and tax reform major issues that will change the way America spends its money, independents and industry executives are just waiting to see what laws will go through and how their businesses will be affected. One issue particularly worrying operators of upscale restaurants in the change in tax laws about business meal deductibility: It seems likely that business meals will be only 80 percent deductible when the pending tax package finally passes, despite desperate efforts on the part of the restaurant industry to preserve the full deduction.**—Rona Gindin**



THE HOTEL/MOTEL MARKET

Segmentation, consolidation, and overbuilding characterize the current state of the hotel industry. The combination of these factors has chains and independents scrambling to introduce new products, enter different market segments, and acquire complementary businesses.

SEGMENTATION IMPORTANT. Saul F. Leonard, national partner, Leisure Time Industry, for Laventhol & Horwath (L&H), describes the lodging sector's "strategic redirection" as a neccessity for the hospitality industry, which is approaching a "mature phase" in the traditional product lifecycle. As a result, long-range strategic planning has taken the form of segmentation. He notes: "This means an effort to grow by either building or aquiring new types of hotels that are targeted to specific types of travelers."

Charles A. Bell, a hotel and restaurant management consultant, points out that segmentation has spawned new concepts which attract first-time customers to budget or moderate hotels or lure business travelers from large convention hotels to smaller suite or deluxe hotels.

The proliferation of new concepts—including smaller, more intimate hotels, all-suite hotels, mega convention hotels, and budget properties—by several chains are targeted to meet the needs of the traveling public's changing lifestyles, values, work habits, and expectations for overnight lodging.

ROLE OF FOODSERVICE. Foodservice continues to play an important role as chains and independents seek to differentiate themselves by offering market-tailored menus, healthy alternatives, home-style foods, and even take-out options. According to RGI statistics, the total hotel-motel foodservice market grew a relatively healthy 6.7 percent in 1985, driven mainly by the hotel subsegment.

Competition is segmentation: all-suite hotels, smaller properties, and alternative sites.

Overbuilt conditions and changes in the tax laws concern Fred Rufe, director of food and beverage planning and development for New York-based Hilton International Co. (HI). Indeed, the chain pulled its proposed Vista Hotel out of Philadelphia and closed the two-year-old Vista in Oklahoma City. "We felt that Philadelphia was overbuilt; and the poor economy in the oil belt made the Oklahoma Vista unprofitable," he explains. Those closings do not, however, imply an abandonment of the domestic market for HI, better known for its international properties. (Currently there are 90 HI properties in 44 countries.) A Vista hotel is scheduled to open in Pittsburgh at year-end, and 1987 will see the opening of a Vista at New Jersey's Newark Airport, one of the country's fastest growing hubs.

HI's menu prices are being determined with an eye towards tax reform; at the American Harvest restaurant in the New York Vista, a $24.95 complete dinner consists of a choice of appetizer, entree, vegetable, and dessert taken from a number of selections found on the American Harvest menu, which changes monthly and reflects the seasonality of fresh indigenous products.

"When those tax laws go into effect, all of the 'expense account' restaurants are going to suffer," Rufe insists. "We anticipate the increased popularity, and profitability, of the $24.95 dinner to increase."

PLANNING PROFITS. Profitability is also high on the priority list for John Fleming, corporate director of food and beverage for Phoenix-based Doubletree Hotels Inc. Explains Fleming: "Filling the rooms and the seats in the restaurants is a challenge in the best of times. But we are in questionable times and find ourselves faced with an overbuilt environment and a wobbly economy. There is a definite challenge."

In order to survive and indeed prosper in today's environment, Fleming explains that the company's thrust is product differentiation. As a relatively small chain (with 15 hotels currently open and 10 in development), Doubletree has the advantage of being able to act and react quickly. Fleming notes that the company has used its size to its advantage by launching an intensive guest services package." The emphasis of the program is "quick response" to guest needs by such services as speedy check-in and check-out, a "white glove" test for cleanliness, and an on-site guest services representative at every hotel.

A key foodservice marketing tool that serves the purpose of product differentiation is the welcoming batch of premise-made chocolate chip cookies that are placed at the bedside the first night of each guest stay. In addition, the company offers a five-minute breakfast and 15-minute roomservice. Should the hotel fail to deliver on the promise, the meal is on Doubletree.

HEALTHY EMPHASIS. Fleming is quick to point out that foodservice receives more than "just lipservice" from the company. Restaurants and menus are not stamped out but rather are tailored to reflect the needs of both the traveler and the local restaurant customers.

For example, the recently introduced "Natural" menu and the High Fiber Breakfast Sampler are offered as alternatives to help the business traveler eat well while on the road. Although the sampler has been well-accepted in most locations, on the health-crazed West Coast, it is particularly popular, accounting for 10 percent of breakfast orders.

The interest in the link between diet and health is also evident at The Colonnade Hotel, an independently owned facility in Boston. The consumer's demand for healthy foods led to the recent introduction of a new menu in the hotel's signature restaurant, Zachary's. Described as "continental naturelle," the items—which were developed and analyzed by a health consultant—are a blend of nouvelle and classical cuisines and are comprised of fresh ingredients. The nutritional composition, including the calorie content, is available to the guest.

FINE-TUNING. Don Clawson, vice president of food and beverage for Minneapolis-based Radisson Hotel Corp., emphasizes that foodservice must be an "evolving philosophy." Clawson insists that it is necessary to constantly fine-tune even the most carefully planned concepts.

As an example, he points to the changes made at the Mark Plaza Hotel in Alexandria, VA. "Gallatin's, the signature restaurant was over-priced for our customers," he notes, adding, "There were two major problems: The time of service was too long and the perceived value was too high. As a result, we were only pulling the top two to four percent of our market." To combat the problem at Gallatin's, the menu was completely reworked and transformed from high-level nouvelle cuisine to fun-oriented regional American items. Blue-plate specials were added to the menu. The service staff took off the "heavy duty uniforms" and replaced them with less formal attire. The averge dinner check dropped from $30 to $18 in order to drive volume. Today, as a result of the fine-tuning, sales have tripled and the operation draws from the top 10 to 12 percent of the hotel customer base.

PERSONAL CONNECTION. In an increasingly competitive market, management has become a key tool to generate profits. As a result, it makes economic sense for Radisson, Doubletree and other hotel operators to concentrate efforts on grooming suitable employees.

PHOTO BY MAXWELL MACKENZIE

Gallatin's, in Radisson's Mark Plaza Hotel, Alexandria, VA, has been totally rethought as part of the company's "evolutionary" approach to foodservice concepts.

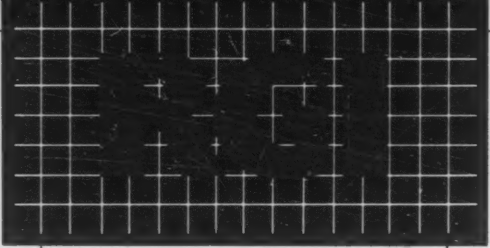
Alfons Konrad, vice president of food and beverage for Toronto-based Four Seasons Hotels, believes that the strong base of credibility his company has built is possible because of the quality of its employees. "We are firm in our commitment to offer the highest standards to the top end of the business, and because of the great demand our customers place on quality, we place the same demand on our staff," explains Konrad.

Although Four Seasons commands top dollar for room rates and menu prices, Konrad points out that there has been an upswing in prices in hotel and freestanding restaurants in the mid-price market. "When the middle market segment begins to outprice itself, customers look at what they are paying and see that for a few dollars more they can be in a Four Seasons."

Four Seasons is careful to address itself to the needs of this marketplace. For example, The Pavillion in the recently opened Newport Beach property offers a menu highlighting the influence of California cuisine. Spa cuisine is served exclusively at Alternatives restaurant in the Dallas Four Seasons.

MARKETING EMPHASIS. Frank Klare, division vice president of food and beverage for Inter-Continental Hotels Corp., New York, believes that competitive conditions force hotel operators to learn more specifically exactly *who*

continued on page 146



Market-tailored menus, healthy options and personalized service are all important trends.

composes the hotel's largest market.

"Today's environment forces us to be better in the jobs we are doing. We need to be more service- and product-oriented," he insists. Klare's concern for detail and Inter-Continental's commitment to the upscale traveler will be put to the test later this month with the opening of the meticulously restored landmark Willard Hotel in Washington, DC, which will be called the Willard Inter-Continental and represents a $73 million investment for the chain. The 395-room hotel features two restaurants, The Willard Room serving American cuisine and wine, and the Cafe Espresso which will offer lighter fare in a cafe setting.

PARING DOWN. With 120 hotels worldwide and 10 domestic properties (three are presently in development in the U.S.), Inter-Continental wants to extend its influence with the upscale frequent individual traveler and the small corporate meeting market. To this end, the chain is currently building smaller, more intimate properties. Similarly, foodservice facilities are pared down as well. "The days of hotels with three restaurants, a bar and an entertainment lounge are over for our market," Klare insists.

Marriott's Courtyard concept has spawned new interest in the moderate price sector. Notes consultant Bell: "Since the Courtyards are developed in clusters and accounting is centralized for three or four properties—as is housekeeping, purchasing, and engineering and overall management—the result is the ability to build a property at $35,000 to $40,000 per room (compared to an industry average of $120,000 to $140,000), charge $45 to $55, and still realize profit ratios of 50 percent and up."

As profitable alternatives to traditional size hotels, scaled-down versions of full-size properties are less expensive to build and better suited for smaller cities, which are often not as overbuilt as first tier cities.

Hyatt Hotels Corp., Chicago, is involved in a $750 million expansion which calls for 40 small hotels (300-rooms) by 1990. (See *Restaurant Business* July 1, 1986.)

SIMILAR DESIGNS. The Compri Hotel Systems Inc. (Compri Hotels by Doubletree) is a lodging concept with similar designs. A typical Compri Hotel consists of 150 to 225 guest rooms and suites, two to six meeting rooms, pool, whirlpool, exercise room, and a Compri Club (a facility which includes lounging areas, intimate bar, reading area, desks, game tables, and large screen television). Full breakfast and a complimentary cocktail reception are included in the price of a room ($55-$75). Compri manages the low room rate through the elimination of costly facilities including multiple hotel restaurants, lounges, and major convention facilities. Food, except breakfast, is available but not featured.

Dallas-based Park Inns International Inc. is a new system of mid-price hotels offering full service at moderate prices; the system is managed by Brock Hotel Corp., also of Dallas. According to Robert Brock, chairman of Brock Hotel, the Park Inn concept will

1984: $10,026,000,000 + 9.4% Sales Growth **1985: $10,698,000,000 + 6.7% Sales Growth**

Hotel/Motel Market: Foodservice Sales

1990: $15,470,000,000 + 7.7% Compound Annual Sales Growth

	1984 Sales ($000,000)	1984 Units	1984 Purchases ($000,000)	1984 vs 1983 % Sales Growth	1985 Sales ($000,000)	1985 vs 1984 % Sales Growth	1985 Purchases ($000,000)	1990 Sales ($000,000)	1985-1990 % Compound Annual Sales Growth Nominal	1985-1990 % Compound Annual Sales Growth Real
Hotels	8,110	14,968	2,587	11.1	8,748	2,790	7.9	-	-	-
Motor Hotels	726	1,686	233	3.2	741	238	2.1	-	-	-
Motels	1,190	9,131	392	2.7	1,209	398	1.6	-	-	-
Total	10,026	25,785	3,212	9.4	10,698	3,426	6.7	15,470	7.7	3.3

feature a covered courtyard containing a swimming pool, a hot whirlpool, an exercise room, saunas, putting greens, and an atrium cocktail lounge and coffee shop.

ALL-SUITE. Development of all-suite hotels is also on the rise. Currently comprising only two percent of the hotel market, all-suite hotels may soon account for 25 percent of the market according to some analysts.

The suite market provides travelers a selection in all areas from budget to luxury but certain characteristics make this sector one of the lodging industry's fastest-growing areas. The elimination of public areas and non-cost efficient services yields a maximum amount of space for minimum room price.

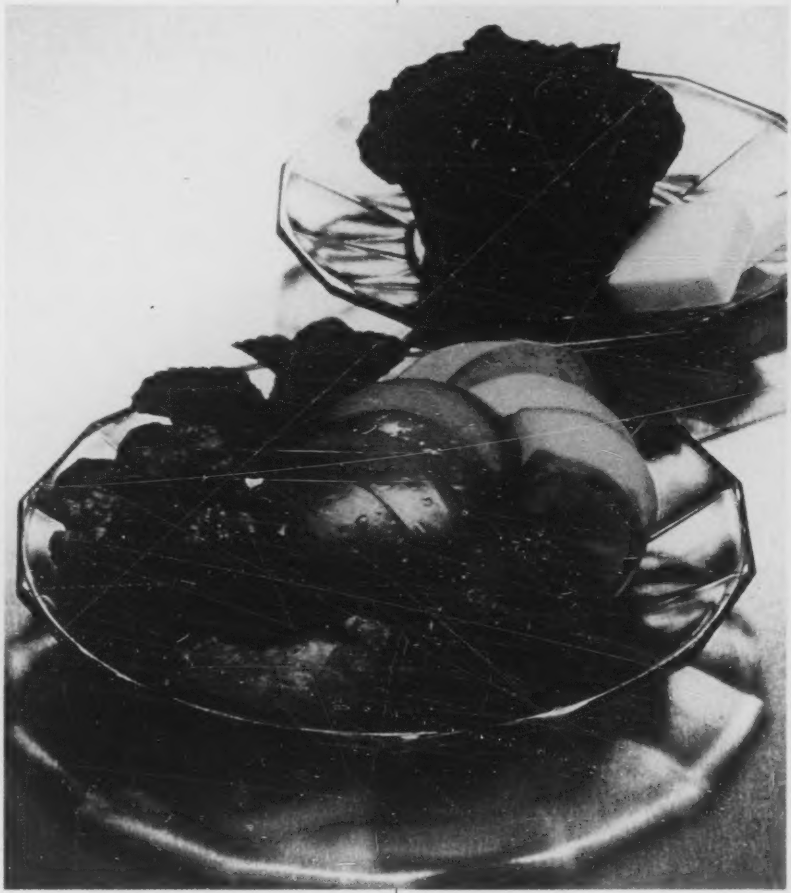
The 1984 acquisition of the all-suite Granada Royale Hometels group by Memphis-based industry giant Holiday Inns Inc. indicates the appeal of the market. Holiday Inns Embassy Suite division leads the all-suite sector with 62 properties in 20 states. Rates range in price (depending on location) from $60 to $130. The idea behind the concept is to provide two rooms at the price of one.

MIXED USE. Embassy Suites recently opened a 261-suite property in the New York metropolitan area as part of the 550-acre Harmon Meadow mixed-use community in Secaucus, NJ. Owned by the Hartz Mountain Corp., Embassy leases and manages the property. Each suite, which opens onto a landscaped central atrium, consists of a living room, bedroom and bath.

Marriott Corp., Washington, DC, in its bid to be all things to all travelers, is also in the earliest stages of developing a suite division. Marriott Suites should debut by 1990 and will feature a complimentary breakfast, as well as traditional suite amenities such as a large sitting room, kitchen, and separate bedroom.

NEW SITES. The high cost of real estate and new construction has made locations in mixed-use buildings attractive for hotels. For example, the recently opened Hotel Crescent Court is the centerpiece of a mixed-use area developed in Dallas. The 190-room, 28-suite hotel connects the 18-story office towers and the tri-level marketplace of 65 shops and galleries.

A joint venture of Rosewood Properties Inc. and local developer Phillip W. Shepherd, Crescent Court is operated by Rosewood Hotels Inc. The hotel's foodservice facilities draw from well-heeled Dallasites as well as hotel guests. While The Great Hall serves drinks and light meals, The Conservatory is open for breakfast and lunch. However, Beau Nash Restaurant is the hotel's showcase facility.



Doubletree's well-received High Fiber Breakfast Sampler includes freshly squeezed orange juice, a prune bran muffin, stewed prunes, sliced apples, strawberries, apricots and walnuts.

CONVENTION STRENGTH. Jack Vaughn, general manager of Nashville's Opryland, is confident of the strength of the convention-association-trade show market. "We see that end of the business growing steadily," he insists, adding: "Although no segment is recession-proof, we certainly hold up better than most." Opryland's 90 percent occupancy rates testifies to the hotel's strong showing.

"I believe that for hotel foodservice facilities to gain acceptance and remain successful, marketing and merchandising must play key roles. Hotel operators have to let the customer know that the restaurant is there; and do it with pizzazz," Vaughn insists.

Targeting the right market for each hotel's foodservice operation is a key strategy for Omni Hotels (a division of Dunfey Hotels Corp.), insists Walter Staib, vice president of food and beverage for the Hampton, NH-based, 44-property chain. When a hotel is under development Staib and his staff spend time scouting the city trying to determine a void in the local market.

"For example, in Baltimore, we determined that a French bistro—a restaurant with a European flair— would be different, but not so different that it would not be accepted," Staib recalls. As a result, the concept for the 225-seat Jacqueline's was born. "By studying the market we can discover our potential competitor's mistakes. We use these mistakes as benchmarks."

As evidence of this strategy's success, Staib points out that Jacqueline's has met the company's financial expectations since its opening in October, 1985. Today, thanks to the hotel's concerted marketing effort, the restaurant is building a reputation as a serious contender in the local restaurant scene.–**Denise M. Brennan**

THE RETAIL MARKET

Department store foodservice operators are learning how to win customers in a tough market.

The wave of mergers sweeping American industry has made its mark on the retail business as well. The dismantling of the Gimbels chain, the leveraged buyout of the R.H. Macy Co. by its management, and the acquisition of Associated Dry Goods by The May Company are indicative of the consolidation occurring in the retail industry. And, in the fast-growing convenience store segment, units which once concentrated on selling cigarettes, magazines, and juice after midnight are turning to fast food sales to generate sizable margins. In addition, the marriage of fast food concepts with convenience stores has created several hybrid operations.

While this new direction may be healthy for the retail industry in general, it holds special challenges for the foodservice operators within this segment. In 1985, foodservice in the retail market accounted $6.18 billion in sales, a whopping 14.6 percent increase over 1984—an improvement driven almost completely by the convenience food store subsegment.

NEW OWNERSHIP. In the department store subsegment, the takeover of long-standing companies brings in new owners with individual philosophies. As a result there is sure to be careful scrutiny of foodservice operations within department stores, with an especially critical eye cast to the bottom line. Pressure to meet profit goals means that some marginal services may be deleted.

According to Alan Reyburn, operating vice president, restaurant and travel development for Bloomingdale's (a division of Federated Department Stores Inc., Cincinnati), the company insists that foodservice act as a profit center and remains committed to backing "profitable" operations.

Says Reyburn: "Federated does not support losing properties." In addition to enhancing the store's image, Bloomingdale's foodservice facilities must also generate a respectable return per square foot. Reyburn believes that the increased pressure for profit performance by retail foodservice operations industrywide will result in a stepped-up shakeout. "When you measure retail foodservice by return per square foot, it is a losing battle 95 percent of the time," he insists.

PROFITABILITY CONCERNS. This climate has resulted in what Reyburn characterizes as a year of "trial" for those in the retail foodservice segment. He notes: "Most of my associates have enjoyed their company's improving retail sales. But, for foodservice, it has been a tough year."

Neiman Marcus aims to attract a sophisticated customer base with its attention to detail in foodservice.

To plug the drain on his division's P&L statements, Reyburn made an agreement with the principals of three stores to lease out the foodservice outlets in three Bloomingdale's. Of its 32 restaurants (including employee cafeterias), three units are now operated by local independents.

MARKETING. "Marketing is the name of the game today," Reyburn says, explaining the decision. "In New York, we are too far away to determine the personalized marketing techniques necessary to attract that extra party of four per meal period." Reyburn notes that the markets where the three stores are located have intense competition for a small number of patrons. "In all three, my restaurants were up against strong food courts. The courts cut the base for my restaurants by 60 to 65 percent," he points out.

Marshall Fields Co. is a Chicago retailer in the process of taking over and converting five Gimbels stores in Wisconsin, including an anchor at The Grand Avenue Mall, a Rouse Company development in Milwaukee. A total of six new restaurants are being developed for the converted stores and will bring the chain's total to 27 stores and 24 restaurants.

Rod Fensom, manager of creative marketing, foodservice division, believes that "these are exciting times in retail foodservice." He attributes his upbeat outlook to the inherent advantages retail foodservice operators hold over independent restaurateurs. "The merchandise around our outlets offers our customers incentives to come. And, in addition to the built-in customer base of shoppers, sophisticated merchandising techniques are targeted to attract area office workers as well as local residents." For example, he

1984: $5,394,000,000 + 15.0% Sales Growth   1985: $6,184,000,000 + 14.6% Sales Growth

Retail Market: Foodservice Sales

1990: $12,554,000,000 + 15.2% Compound Annual Sales Growth

	1984 Sales ($000,000)	1984 Units	1984 Purchases ($000,000)	1984 vs 1983 % Sales Growth	1985 Sales ($000,000)	1985 vs 1984 % Sales Growth	1985 Purchases ($000,000)	1990 Sales ($000,000)	1985-1990 % Compound Annual Sales Growth	
									Nominal	Real
Department Stores	1,060	4,932	389	5.4	1,050	385	—0.9	1,419	6.2	1.9
Variety & General	299	5,213	108	—2.7	289	104	—3.3	288	—0.1	—4.1
Drug & Proprietary	429	10,468	155	3.1	437	158	1.9	473	1.6	—2.5
Convenience Foodstores	2,552	48,078	880	26.1	3,278	1,131	28.4	8,488	21.0	16.1
Convenience	1,504	33,485	519	29.2	1,987	686	32.1	5,310	21.7	16.8
Gasoline Stations	1,048	14,593	361	21.8	1,291	445	23.2	3,178	19.7	14.9
Other Specialized Retail Stores[1]	1,054	18,693	358	12.6	1,130	384	7.2	1,886	10.8	6.3
Total	5,394	87,384	1,890	15.0	6,184	2,162	14.6	12,554	15.2	10.6

1. Other specialized retail stores include: supermarket chains, independent grocery stores, specialty food shops (such as cheese stores), and miscellaneous retailers such as liquor and book stores.

points out that at the chain's flagship store in Chicago, an on premise bakery turns out baked specialties.

UPPER CRUST. Neiman Marcus continues to appeal to a well-heeled clientele with its 26 restaurants. And, according to Bob Jones, vice president of foodservice for the Dallas-based chain, the newest entry is the "Light Cuisine" concept recently introduced at the Newport Beach, CA, store.

Jones points out that the Light Touches section available on most menus (offering lighter foods and smaller portions) led to the development of a health-oriented concept. Light Cuisine expands the nutrition-oriented slant to embrace a spa-type operation where low-calorie, and salt- and sugar-restricted food is prepared in a "gourmet" style.

Menu items include a curried chicken salad presented in a pineapple shell with papaya and fresh pineapple, and served with banana bread (under 275 calories at $7.50); or a salmon mousse and vegetable terrine (under 350 calories and priced at $8.25). However, for the schizophrenic dieter, there are rich desserts available in "half portions for saints and full portions for sinners."

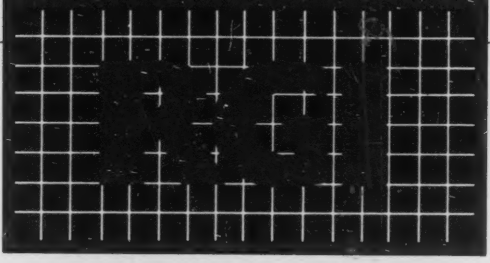
Walgreen Co. operates 72, 24-hour freestanding Wag's restaurants in the Chicago area and Florida, 24 Wag's restaurants in shopping malls, and 64 other restaurants across the country. The company is trying to position Wag's as independent restaurants: While the original connection with the Walgreen drugstore chain merits Wag's inclusion in the retail segment, the Deerfield, IL-based company is trying to distance itself as much as possible from its drugstore affiliation. Explains John Seastone, vice president of the foodservice division: "Over the last couple of years, we have seen a slowdown in the development of new malls and to stay in business, we needed a new avenue for expansion."

In order to gain market share in a segment dominated by the formidable Denny's, Wag's marketing thrust centers on what Seastone characterizes as "differentiation." He explains: "The decor is upgraded. The menu changes seasonally and an 'appeteasers' section features fun foods. These features are not usually found in traditional coffee shop operations."

Seastone believes that the Wag's menu dovetails with consumer demands for variety and freshness. And, in order to heighten the concept's awareness among the "family" customer base, Wag's places a heavy emphasis on marketing and promotional activities such as specials, new items, and seasonal foods.

GROWTH LEADER. As Wag's seeks to distance itself from its drugstore roots, convenience stores—the growth leaders in the retail market—are busy embracing fast food, solo and in partnerships. (See accompanying story, page 231.)

Indeed, according to the National Association of Convenience Stores (NACA), fast food sales in convenience stores increased to a total of $3 billion in 1985, an increase of $600 million over the previous year. Fast food is particularly appealing to c-store executives due to wide margins, which can run as high as 70 percent for beverages but average a very healthy 45 percent.–**Denise M. Brennan**



THE BUSINESS & INDUSTRY MARKET

This segment is trying to woo diners by copying techniques used successfully in restaurants.

In today's competitive marketplace, growth and its attendant change continue to characterize the business and industry (B&I) segment. Over the past several decades the American economy has undergone sweeping changes in structure, moving from a "smokestack" economy—heavy in manufacturing, such as automobiles and steel—to a service economy—characterized by banking and finance, and lighter, high-tech production. Accompanying this change is the emergence of the white collar work force, which now represents the bulk of new jobs. Today's contract caterers are fighting to capture this white collar market, which offers plenty of growth and also tends to be more recession-proof than heavy industry.

As a result, the B&I feeders have altered their services to appeal to the more upscale, white collar customer and are growing substantially with these new opportunities. In 1985, contract feeding in business offices grew by 7.2 percent, outpacing contract feeding in plants by more than three percentage points. Total sales for the B&I segment grew by 4.6 percent.

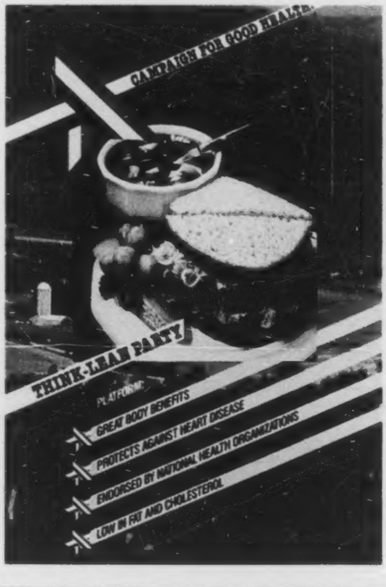
LEARNING TO ADAPT. The segment is continually learning how to cater to its customer, who is more sophisticated and generally more knowledgeable about dining out—more quality-conscious and more aware of health and nutrition issues—as well as more willing to try new food items. And the B&I segment has also had the challenge of catering to the American business community's increasing concern with productivity. Foodservice, as well as such "perks" as child care and on-site health clubs are beginning to be viewed as necessities because the end justifies the means: Many employers believe that happy, healthy employees are more productive. However, today's customer is more demanding than ever and to keep him on the premises for lunch means competing with the commercial market—a reality that the B&I segment is currently coping with.

B&I operators today have also learned to cope with problems that in the past were endemic to the commercial market, including mergers, acquisitions, and government rulings.

"The trends in B&I are now the same as the commercial market," says Jack Galione, president of New York-based Corporate Food Services Inc., whose projected 1986 sales are $30 million. "With competition so intensive, today's employee has the option to dine in the workplace or to go out to a restaurant," he says.

MERCHANDISING MORE. "Consumers now have higher awareness levels toward unique foods, healthy foods, and quality foods," adds Galione. "To that end, we're now relying on 'small batch' cooking rather than mass production in all of our 44 accounts." Corporate Food Services and other leaders in the segment are discarding the once-traditional cycle menu and are now offering more variety, theme promotions, and extravagant merchandising techniques. Enticing mass food displays, self-service concepts such as salad bars and sundae bars, and trendy food options have helped boost sales in many accounts.

Philadelphia-based ARA Services Inc., a segment leader with 5,000 accounts—including both vending and manual operations—and projected 1986 B&I sales reaching $1 billion, has used new merchandising techniques as well as a commercial approach to successfully build sales. Explains Joe Kingrey, president of Business Dining Services: "When we re-merchandise a unit and concentrate on point-of-purchase materials, signage, banners, food presentation, ARA employee training, and a variety of food offerings, our sales increase an average of 20 percent."


CAMPAIGN FOR GOOD HEALTH
THINK-LEAN PARTY
PLATFORM
GREAT BODY BENEFITS
PROTECTS AGAINST HEART DISEASE
ENDORSED BY NATIONAL HEALTH ORGANIZATIONS
LOW IN FAT AND CHOLESTEROL

As part of the business community's growing emphasis on productivity, Canteen's "Campaign for Health" offers clients an opportunity to encourage employee awareness of nutrition.

Carts, kiosks, and food bars are a merchandising ploy that has swung into full play at many accounts. Operators are finding that these can offer customers food variety as well as provide flexibility for kitchen staff. An added plus with carts and bars is that they automatically function as eye-catching food displays.

FOOD CARTS. Hallmark Cards Inc., based in Kansas City, MO, discovered the benefits of food carts as an additional foodservice option for employees. The company introduced four food carts—a concept collectively referred to as the Southside Cafe—this past April offering a variety of entrees, desserts, and side dishes. "We wanted the area to be innovative and fun," says Deanna Hormel, director of food services for Hallmark. "We feed up to 200 people a day with the carts and they love the flexibility it provides."

The four carts are pulled out from the kitchen where they are prepared, into the glass-enclosed, atrium-like dining area—with its pleasant setting of trees, sunlight and seats—from 11:00 a.m. to 12:45 p.m. The carts include a salad and fruit cart, an entree cart, a pre-plated salad cart, and a dessert cart.

Average lunch check is $2. "Although it is too early for exact figures, we feel sure that the Southside Cafe has kept our people in the building during lunch," says Hormel.

TAPPING FOOD TRENDS. Memphis-based Dobbs Houses Inc., which has 10 B&I accounts, is catching its patrons' attention with the use of food bars. Says George Alvord, vice president of Dobbs Food Service Management: "Food bars are a creative way to add variety to a unit. You can do just about anything you want with them."

"Color bars"—food bars based on one specific color—are a popular item at Dobbs. The company has already featured a patriotic red, white, and blue bar and an orange bar, which only offer foods of their respective colors.

Riding on the success of commercial food trends has helped boost B&I sales while giving patrons variety. Operators agree that keeping up with what's going on "on the outside" is one very important way to keep employees on premise for breakfast or lunch.

☐ QUARTER ROUND
QUARTER ROUND with CHEESE
☐ QUARTER ROUND DELUXE
☐ SEA SHORE
☐ QUICK CHICK
EARLY RISER
salad WAYS
Biscuit with Sausage & Cheese
Croissant Sandwich
Egg & Cheese
Ham
Sausage
Quick Chick
SEA SHORE

The segment's attempt to adapt commercial trends is nowhere more apparent than in daka's product mix, which is heavily dependent on fast food and portable menu items.

Chicago-based Canteen Corp. feels that picking up on food trends is the determining factor in its success. "We have hired one person to do nothing but study food trends," says Hal Ritchie, director of food service for Can-

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B&I feeders recognize that they must compete for customers with restaurants and fast feeders.

teen. "As a result, we have been able to pick up on the grazing, ethnic foods, gourmet, breakfast, and carry-out trends. We watch how our commercial competitors merchandise the product and then we incorporate these ideas into our systems."

Although most companies are experimenting with a wide variety of food programs, the three biggest developments to hit the B&I segment have been nutrition, breakfast, and carry-out.

HEALTHY. Consumer awareness of nutrition issues and their desire for light, wholesome foods has had the most impact so far, prompting B&I operators to add a host of new programs, food options, and merchandising techniques. However, operators have found that while people want to have light, nutritious foods available to them, that cannot be the only food option. "People talk light, but they don't always want to eat light—hamburgers and fries are still top sellers," says Phillip Cooke, executive vice president of the Society for Foodservice Management, Louisville, KY.

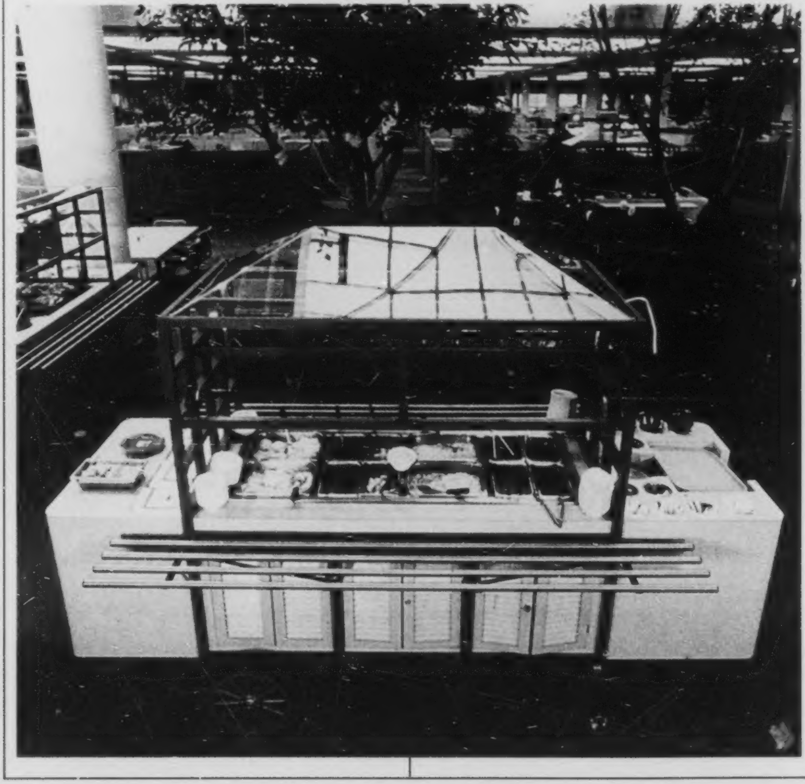
Total programs such as ARA's "Choices," Canteen's "Campaign for Good Health," and Kingston, PA-based Custom Management Corp.'s "Options," give patrons a new variety of healthy menu items daily. "People do a lot of their own diet balancing and they love to have the option to eat a light lunch and then splurge on a dessert," says John Metz, president and CEO of Custom Management, whose total sales exceeded $2 million in 1985.

MORNING FARE. Breakfast is also on the rise in the B&I segment with sales during this daypart increasing up to 20 percent over the past year at some operations. In addition to the traditional bacon and egg dishes, items such as muffins, fruit and yogurt bars, and whole wheat products have become breakfast favorites. However, the majority of operators agree that the biscuit sandwich ranks number one as today's breakfast choice. Wakefield, MA-based daka Inc., which has 200 B&I accounts, reports its breakfast sales have increased 20 percent over the past two years. "I really think commerical chains like McDonald's have paved the way for breakfast," says Terry Vince, president of daka. Canteen's new Bigger Better Biscuit is working overtime for the majority of the company's accounts and is doing it successfully.

TAKE-OUT GROWS. Take-out service has hit the commercial segment hard and as a result it is working its way into the B&I segment. Although take-out's force is not nearly as great in B&I, many operators feel there is plenty of room for growth. "Convenience is a must," says Cooke of the Society for Foodservice Management.

ARA Services led the segment in take-out with the introduction of its Dinner Express program. In selected accounts, ARA patrons can have dinner platters—everything from sandwiches to full-course meals—wrapped and ready to go for at-home dining. "Take-out is a big part of our business and it is going very well," says Kingrey of ARA.

Another company that has been successful with take-out is Canteen. However, unlike ARA, Canteen is not concentrating on dinners, but on desserts. "Almost all of our accounts have a bak-



Hallmark Cards has been enticing patrons with its successful food cart program, offering a variety of entrees, desserts, and side dishes from a group of mobile carts.

1984: $9,601,000,000 + 8.5% Sales Growth **1985: $10,045,000,000 + 4.6% Sales Growth**

Business And Industry: Foodservice Sales

1990: $13,335,000,000 + 5.8% Compound Annual Sales Growth

	1984 Sales ($000,000)	1984 Units	1984 Purchases ($000,000)	1984 vs 1983 % Sales Growth	1985 Sales ($000,000)	1985 Purchases ($000,000)	1985 vs 1984 % Sales Growth	1990 Sales ($000,000)	1985-1990 % Compound Annual Sales Growth	
									Nominal	Real
Contract Feeding In Plants *(cafeteria primarily)*	2,616	N/A	1,177	9.3	2,721	1,224	4.0	3,622	5.9	1.6
Contract Feeding In Business Offices	825	N/A	371	8.1	884	398	7.2	1,254	7.2	2.9
Internal Feeding—Plants & Business	1,630	3,683	763	8.3	1,687	790	3.5	1,972	3.2	—1.0
Waterborne Employees	274	4,656	164	4.6	272	163	—0.7	349	5.1	0.9
Mobile On-Street Catering	588	N/A	195	9.5	637	211	8.3	921	7.6	3.3
Food Vending Machines *(excluding packaged soft drinks & candy)*	3,668	3,088	1,181	8.3	3,844	1,238	4.8	5,217	6.3	2.0
U.S. Defense Personnel	N/A	N/A	1,946	N/A	N/A	1,915	N/A	–	–	–
Food Furnished Foodservice Employees	N/A	N/A	4,074	N/A	N/A	4,102	N/A	–	–	–
Total	9,601	11,427	9,871	8.5	10,045	10,041	4.6	13,335	5.8	1.5

ery which provides our patrons with fresh baked goods two or three days a week for take-out," says Ritchie. "People really like the idea that they can take home cakes, pies, or cookies right from the workplace."

STRAIN OF GROWTH. B&I's attitude toward change has helped boost customer counts and sales, but the sector is also feeling some strains.

Merger and acquisition activity has taken its toll, the biggest being Marriott's acquisition of Saga Corp. Many B&I leaders agree that the outcome of consolidation can both help and hinder the segment. According to Joe Fassler, chief executive officer of Phoenix-based Greyhound Food Management, mergers and acquisitions can help eliminate competition for the white collar dollar because there are fewer players competing for the same clients. "And, as the companies become larger, they can take advantage of volume purchasing. Unfortunately, that will make it easier than ever for the giants to outbid a smaller company," he adds.

CUSTOM TAILOR. In an attempt to keep what business they have, many of the smaller contractors are highlighting their advantage at custom-tailoring to the client's needs. Creative Gourmet Ltd., Boston, is one example of the ability to tailor business to a specific client. The company, which has 28 B&I accounts, evaluates its client and then creates menus, promotions, and merchandising techniques for each location. "We create menus and promotions to fit the general personality of an account," says Lois Yurow, sales and marketing coordinator.

SUBSIDIZED MEAL TAX. Another concern in the segment is the subsidized meal tax; individuals are taxed on their meals if the meal is less than direct cost. This has caused some concern in the B&I segment. "I think it will impact the companies that are not heavily subsidized," says Greyhound's Fassler. "The tax will raise the cost of food and these people will end up leaving the premises. But, to those companies that are heavily subsidized, the perk still outweighs the tax."

Whatever the outcome, with the skills that the B&I segment has developed in merchandising and food quality, and the challenges it has already overcome, segment leaders are hopeful that contract feeders will continue to be able to keep patrons on the premises.– **Cheryl Turi Coutts**

THE HEALTH CARE MARKET

Challenged by financial and demographic changes, the health care segment has adapted with new approaches to the business.

Health care foodservice over the next decade will be affected by several significant—and interrelated—factors: financial retrenchment and segmentation in the health care industry; a growing need for administrators to use foodservice as a marketing tool; and sweeping demographic changes which are creating new niches within the market.

The U.S. health care market last year represented a $430 billion industry, of which $11.5 billion was generated by consumer expenditures in hospital and nursing home foodservice, according to RGI figures.

NEEDING CONTRACTORS. Hospitals have been adversely affected by the implementation of Diagnostic Related Groups (DRGs) the government imposed caps on Medicare payments. The impact of DRGs has been to decrease average hospital stays, making outpatient procedures more popular, and more hospital beds available than ever before. All of this has put pressure on the health care foodservice sector, but it has also created many new opportunities.

Notes Randall Huyser, health care analyst for Montgomery Securities in San Francisco: "As hospital volumes decrease an average of three to four percent annually, it's logical that there's more pressure to keep costs under control. Both hospitals and nursing and retirement homes are faced either with bringing their foodservice in-house to economize, or contracting it out to a major institutional feeder who can do the most efficient job."

Concurs Robert Golden of Technomic Consultants, Bannockburn, IL: "Health care is becoming increasingly segmented and specialized, and hospitals are increasingly utilizing foodservice as a marketing tool. As the trend toward chain and investor-owned hospitals continues to grow, foodservice will become a lot more centralized. And although the chains have a lot of buying power, today's declining hospital occupancy rates have created the need to economize and create efficiencies in foodservice wherever possible."

William "Bill" Edmundson, president of the Healthcare Nutrition Services Division of Philadelphia-based ARA Services Inc., has observed several different changes in hospital foodservice over the past year.

"As costs are becoming more important to survival, administrators are looking toward their cafeterias and restaurants on-property as for-profit centers that they don't have to subsidize," explains Edmundson. "And they're searching for ways to raise their foodservice prices without dropping customer counts."

BOTTOM LINE CONCERNS. Edmundson contends that in most hospital operations, "the foremost concern on the part of administrators is cost, rather than quality" and he points to "dollar savings" as the biggest reason hospitals today look toward the benefits offered by a contracted foodservice situation.

Edmundson calls the smaller, 200- to 500-bed hospital the "bread and butter" accounts of the heathcare foodservice segment because they are large enough to afford outside contractors and yet have some cost controls. ARA's Healthcare Division had sales volume of $200 million in 1985, a figure that continues to grow.

A meal on a silver tray is indicative of how Saga is handling health care foodservice: as a marketing advantage.

Menlo Park, CA-based Saga Corp., also a heavy hitter in the health care feeder segment, services 218 full-service accounts in the segment and is the largest provider of food and nutrition services to major teaching hospitals including Baylor Teaching Hospital in Dallas, Johns Hopkins in Baltimore, Michael Reese Medical Center in Chicago, and the Stanford (CA) Medical Center. Moreover, the recent acquisition of Saga by Marriott Corp. of Washington, DC, should also favorably impact Saga's strength and position in the health care market.

Anthony "Tony" Alibrio, vice president of marketing and sales for Saga's health care division headquartered in Avon, CT, cites a bottom-line attitude which is now prevailing among hospital administrators. "Administrators today function as total business people," he asserts. "As a result of the DRG environment, there's been a change in the direction of the industry. Since cost savings are a primary objective, hospitals look to outside contractors and the savings are substantial."

Health care foodservice by contract can save an operation anywhere between five and 15 percent, as well as reduce food costs by 10 to 20 percent because contract feeders have better purchasing power. Hospital cafeterias, serving both employees and the visiting public, can also expect revenues to increase by five to 25 percent without a price increase as a result of sound contract management.

FOODSERVICE: MARKETING TOOL. With all this expertise being brought to bear on health care foodservice, segment players are capitalizing on their dining programs for all they are worth. Hospitals in particular are viewing foodservice as a way to attract patients *and* as a profit center. Some large medical centers are contracting their kitchens to service smaller locations in neighboring communities, making them a centralized satellite feeder operation. Some have extended their service to include in-home programs such as "Meals on Wheels." Yet others have expanded their foodservice programs to offer on- and off-premise banquet and catering services, to build greater awareness in the surrounding communities and take advantage of the business synergism.

Custom Management Corp., a diversified $185 million foodservice management company based in Kingston, PA, offers gourmet meals, room service menus, and meals to visitors in its health care accounts. John Metz, president and CEO, notes that his clients are more willing to provide the extra service, despite any additional cost, because it becomes a marketing tool for the facility.

The Food Service Department at Los Angeles' Cedars-Sinai Medical Center, headed by Jerome Berkman, is another example of aggressive foodservice marketing.

A Food & Nutrition hotline responds to patient requests, a "Food Boosters" volunteer group researches both patient and public opinion, and a deluxe foodservice option—included in the

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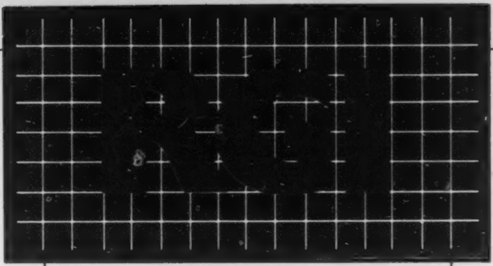
Custom Management (above) and ARA (below) are pursuing a broad base of health care accounts, including both congregate living centers for seniors and more traditional hospitals.



price of a deluxe room or priced at an additional $85 per day with other accommodations—features a restaurant menu with made-to-order meals.

The new FHP Hospital in Fountain Valley, CA, has improved foodservice quality with a 15-minute maximum cooking and delivery time; the menu features such untypical hospital fare as red snapper Veronique and charbroiled lamb chops.

NEW OPPORTUNITIES. As acute care hospitals struggle to contain costs and build business, other opportunities for health care foodservice contractors are emerging. ARA, Custom Management, and other health care feeders are looking toward two other segments of health care foodservice: nursing homes and retirement communities.

The graying of America, with one out of every eight people now over the age of 65, has created two different population segments: one group which needs constant health care in a nursing home environment and another segment of still-healthy, active seniors seeking a comfortable community environment with a variety of services provided, including health care.

Contract caterers are helping administrators to position foodservice as a marketing tool.

Custom Management is actively pursuing accounts in the area of congregate communities for senior citizens, which Metz describes as a market with a great deal of growth potential.

That market poses its own challenges. Says ARA's Edmunson: "People in retirement homes, as opposed to nursing homes, have expectations of a continued comfortable lifestyle and the money to pay for it. The foodservice trend at such facilities is toward restaurant-style menus at these retirement communities, fine dining with waiter or waitress service at lunch and dinner, and buffet set-ups for breakfast."

Although ARA owns or manages 230 nursing homes nationwide, it is in the retirement home arena where dramatic growth is taking place, and ARA has already aggressively been pursuing accounts at communities such as Medford Leas in Medford, NJ; the National Lutheran Home in Rockville, MD; and the new 650-resident Shellpoint Village in Ft. Myers, FL.

DIVERSIFY. A broad-based approach helps. In aggressively pursuing all three subsegments of health care—hospitals, retirement communities, and the nursing home market—Saga has brought in $61 million in new business and 41 new accounts in fiscal 1986, with a 20 percent annual growth in their health care service division.

Although the hospital subsegment is bigger in size and volume for health care feeders, analysts predict that the growth segments over the next decade will be in nursing homes and retirement communities. Health care foodservice of the 1990s and beyond will be catering to a variety of audiences, including employees, staff, patients, general public, and the elderly. Contractors who can operate foodservice as a profit center rather than a cost center have a lucrative market to go after.—**Dolores Long**

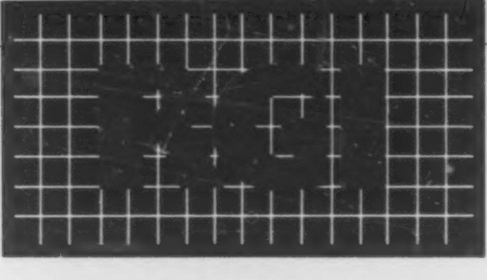
1984: $11,484,000,000 + 2.5% Sales Growth **1985: $11,536,000,000 + 0.4% Sales Growth**

Health Care Market: Foodservice Sales

1990: $12,415,000,000 + 1.5% Compound Annual Sales Growth

	1984 Sales ($000,000)	1984 Units	1984 Purchases ($000,000)	1984 vs 1983 % Sales Growth	1985 Sales ($000,000)	1985 vs 1984 % Sales Growth	1985 Purchases ($000,000)	1990 Sales ($000,000)	1985-1990 % Compound Annual Sales Growth: Nominal	1985-1990 % Compound Annual Sales Growth: Real
Hospital—Internal	7,391	6,817	3,332	0.2	7,250	3,268	—1.9	6,799	—1.3	—3.6
Hospital/Nursing Home—Contract	1,106	•[1]	442	7.0	1,180	472	6.7	1,618	6.5	4.0
Other Institutions—Internal ***(for specialized care including nursing and old age homes, orphanages, etc.)***	2,987	26,169	1,835	6.9	3,106	1,908	4.0	3,998	5.2	2.7
Total	11,484	32,986	5,609	2.5	11,536	5,648	0.4	12,415	1.5	—0.9

1. Contract units are included in the totals for Hospital-Internal and Other Institutions.



THE STUDENT MARKET

Declining college enrollments are forcing operators to seek new avenues for growth.

The student segment, like so many sectors in the industry, is learning to respond to new pressures, brought on by changes in the economy and in the social and demographic structure of the country.

In particular, enrollments in traditional four-year colleges are declining, although ever so slightly, prompting many college foodservice operators to fear that growth is limited in this, the largest, component of the segment.

NEW NICHES. Nonetheless, there are other areas of the student market that are worthy of contract feeders' attention, including two-year colleges, technical and night schools, and elementary and secondary schools. The question is whether these sub-markets will adequately fill the void.

This year, enrollments in four-year colleges are projected to be 12,150,000, down from 1983 when enrollments reached an all-time high of 12,465,000, according to the Washington, DC-based Educational Information Office, a division of the United States Department of Education. "We're projecting two-year colleges to hold steady over the next couple of years while four-year colleges will experience a decrease," says Vance Grant, specialist in education statistics at the Education Information Office.

Daniel Krpan, vice president, sales and marketing of Chicago-based Canteen Corp., echoes Grant: "The campus marketplace is not growing. Sales at four-year institutions will remain flat because there are fewer college-age students. There are more mature people going to school at night, after classes they're tired and just go home."

eat right feel li be
YOU ARE WHAT YOU EAT

Canteen's Eat Right program gets elementary school students to eat nutritiously, a pattern the company can continue to serve as the youngsters reach college age.

COMMERCIAL TRENDS. Nonetheless, educational foodservice operators are aggressively going after the student market, and in doing so, are making concerted efforts to please students by keeping in step with overall trends in the commercial sector.

As evident industrywide, food courts and food boutiques are increasingly popular ways to offer the whole menu gamut from pizza to nachos to hamburgers and fries. "There is a definite movement toward more commercial-like, retail marketplace concepts where students are given the opportunity to choose from a variety of foods," says Mike Roueche, director of marketing services, foodservice management, for Marriott Corp., based in Washington, DC. Roueche illustrates this trend with Marriott's "HB Quicks," a fast food concept offering items such as roast beef sandwiches, hamburgers and fries, and pizza.

In fact, it's been a busy year all around for Marriott with the acquisition of Menlo Park, CA-based Saga Corp. Yet, while there is still no clue of how this new giant will change the complexion of student foodservice—as a result of the acquisition Marriott is now the largest provider of food services—competitors insist they're not threatened. Marriott reported $1.6 billion in sales last year for its contract foodservice division, including toll road restaurants, in-flight catering, and 75 educational accounts.

HEALTHY APPROACH. While there seems to be an emergence of freestanding pizza, hamburger, and hot dog establishments—such as Little Caesars and Burger King—on college campuses, emphasis on nutrition has not waned either: "We are demanding freedom of choice and are simultaneously demanding nutrition," says

1984: $8,194,000,000 + 5.5% Sales Growth — 1985: $8,508,000,000 + 3.8% Sales Growth

Student Market: Foodservice Sales

1990: $10,014,000,000 + 3.3% Compound Annual Sales Growth

	1984 Sales ($000,000)	1984 Units	1984 Purchases ($000,000)	1984 vs 1983 % Sales Growth	1985 Sales ($000,000)	1985 Purchases ($000,000)	1985 vs 1984 % Sales Growth	1990 Sales ($000,000)	1985-1990 % Compound Annual Sales Growth: Nominal	1985-1990 % Compound Annual Sales Growth: Real
School—Internal (public, parochial, elementary & secondary)[1]	2,780	90,812	3,010	7.9	2,908	2,977	4.6	3,383	3.1	—1.1
School—Contract	833	*[2]	324	9.3	887	327	6.5	1,175	5.8	1.5
Colleges, Universities — Internal	2,969	2,641	1,329	1.3	2,990	1,265	0.7	3,140	1.0	—3.1
Colleges, Universities— Contract	1,612	*[3]	516	7.9	1,723	527	6.9	2,316	6.1	1.8
Total	8,194	93,453	5,179	5.5	8,508	5,096	3.8	10,014	3.3	—0.9

1. Actual cash receipts from children.
2. Total unit count is given in the Internal total
3. Not including $840,181,940 worth of commodities and milk, a -1.6% decrease from 1983.

Krpan of Canteen. Thus, Canteen sponsors health-oriented programs playing up nutritious foods with table tents and trivia games as part of a Nutrition Awareness Health Fair.

BREAKFAST. Special attention is also being given to the breakfast daypart with operators creating nutrition-packed cereal bars offering whole grains such as bran, and fresh fruit and yogurt. And, these daypart service hours have been expanded.

In line with the national trend toward nutrition, there is evidence of less red meat in the student market—with one exception. Hamburgers and fries are still selling as well as they ever sold," says Harris "Bud" Rusitzsky, president of Rochester, NY-based Serv-Rite Corp., which currently has over 30 educational accounts in 44 operational units.

Concepts that are especially vogue in the student market today are those that emphasize portability, speed of service, and convenience.

Cornell University Dining Services, the internal foodservice operator for Cornell University in Ithaca, NY, has responded to this by starting up on-campus convenience stores where, aside from shopping for groceries, students can opt to sit down for a quick meal or take-out at the bakery and deli. "We offer a full deli line as well as hot items," says Margaret Lacey, director, Cornell University Dining Services, "and beginning this semester we'll do home delivery."

It's safe to say that many of the trends taking shape today stem from an older college population, a group which expects to be treated more like adults than kids away from home for the first time. More evidence of this can be found in the introduction of foodservice credit cards.

ADULT SERVICES. Memphis, TN-based Dobbs Food Service Management, part of Dobbs Houses Inc., offers a "Dobbs Card," a credit card meal plan service to students, as an option to the traditional all-you-can-eat meal plans. "Demographics show that college students are getting older, with the average age of 21 at many of our universities, and the Dobbs Card is in step with this trend," says George Alvord, vice president and general manager of Dobbs Food Service Management.

Dobbs is new in the student foodservice arena and currently has 30 educational accounts, the largest being East Tennessee State University with 10,000 students. Sales reached $10 million last year, including Dobbs' 10 business and industry accounts.

CREDIT CARDS. Serv-Rite also recently introduced the credit card system. Says Rusitzsky: "The system works just like a consumer credit card with the only difference being the money is paid in advance. We've seen an overall 10 to 12 percent increase in sales because of the credit system."

Meanwhile, as college enrollments decline, secondary schools post healthy enrollments. This year there are projected to be 39.6 million students enrolled in kindergarten through twelfth grades, up from 39.4 million last year and 39.3 million the year before. This trend is expected to continue to rise as baby boomers continue to begin having families.

CHALLENGES. Foodservice operators have less flexibility in creating menus for these markets primarily because most elementary schools must comply wth United States Department of Agriculture (USDA) standards which stipulate nutritional balance.

This, coupled with the fact that school lunch programs have been severely affected by Reagan administration cuts, makes the secondary and elementary school markets that much more challenging. Says Canteen's Krpan: "The whole emphasis of the Reagan program was to make more money available for the bottom end of the income spectrum for families. What happened is students at middle income brackets and upper income brackets have been eliminated from the program, but it has not reduced participation. You now have more students on the free program and fewer on the partially subsidized one."

Nutrition is a company landmark at Philadelphia-based ARA Services, Inc.: "The nutrition aspect is our big concern," says Elizabeth Jones, vice president controller of school nutrition services. "We're getting more advanced with merchandising nutrition with banners and hand outs and are focusing attention on our Rainbow Program which basically color codes the four basic food groups to encourage students to eat healthier." ARA currently has 180 school and 250 college and university accounts.—**Laurie Bain**

THE LEISURE MARKET

Americans' desire to travel—and to stay in the U.S. to do it—is good news for the leisure segment.

The situation for the leisure segment of the foodservice industry looks especially good right now. Partly because more Americans are vacationing in the U.S. this year—the result of low gasoline prices and fear of terrorism abroad—operators in the leisure segment are reporting healthy sales and increased attendance at attractions. The inclination of Americans to visit theme parks, sporting events, museums and theaters is also helped by the fact that many customers continue to allot a fair share of their disposable dollars for leisure.

In fact, segment players feel that 1986 will be a better year by a good margin, outperforming 1985's relatively moderate five percent growth. This would be welcome news indeed: According to RGI figures, growth has been mired at this level since 1983.

GOOD ATTENDANCE. "Attendance has been very good and sales have been good as a result," says Sheldon Silver, director of marketing services for Chicago-based Canteen Corp., whose recreation and leisure subsidiaries include both TW Services and Volume Services.

One of the major trends in the segment is a gradual upgrading in foodservice, with leisure segment concessionnaires responding to customers' desires for more variety and for fresh, healthy foods. For example, the Sesame Place children's theme park in Langhorn, PA, offers kiosks serving fresh-squeezed orange juice and lemonade as well as pizza with whole wheat crust and sandwiches and hot dogs served on whole wheat buns. A snack bar offers freshly cut raw vegetables.

CONSOLIDATION. Since Canteen's merger earlier this year with Interstate United Corp., the accounts of Interstate's Volume Services recreation division have been combined with Canteen's TW Services recreation arm; TW Services now focuses on accounts in national and state parks while Volume Services concentrates on sports and convention facilities.

The merger makes Canteen Corp. one of the largest operators in the leisure segment, with more than 100 accounts ranging from Yankee Stadium in New York City to Yellowstone National Park in Wyoming. Included under the TW Services and Volume Services banners are food outlets at major league ballparks, college stadiums, theme parks and race tracks, as well as resort lodges and even horseback rental stables.

Besides benefiting from an increase in domestic travel, a relatively healthy economy, and good weather, the leisure segment of the foodservice industry may also be benefiting from America's renewed fascination with families and children. "I do believe that we're entering a cycle when 'family entertainment' is in style again," says Sam Gifford, vice president of corporate communications for Rochester-based Delaware North Corp., whose subsidiary Sportservice Corp. operates foodservice concessions at 210 arenas, ballparks, and parks around the country.

UPGRADING. Because the leisure segment encompasses such a broad range of activities—from theme parks to museums to movie theaters—it is hard to generalize about specific trends and activities in the segment. In

Sportservice, a subsidiary of Delaware North Corp., operates dog tracks, such as this one in West Memphis, AR, with its upscale Visual Impressions dining facility.

1984: $4,737,000,000 + 5.1% Sales Growth 1985: $4,975,000,000 + 5.0% Sales Growth

Leisure Market: Foodservice Sales

1990: $6,847,000,000 + 6.6% Compound Annual Sales Growth

	1984 Sales ($000,000)	1984 Units	1984 Purchases ($000,000)	1984 vs 1983 % Sales Growth	1985 Sales ($000,000)	1985 Purchases ($000,000)	1985 vs 1984 % Sales Growth	1990 Sales ($000,000)	1985-1990 % Compound Annual Sales Growth	
									Nominal	Real
Theme Parks, Arenas, Stadiums & Tracks	2,200	N/A	763	5.4	2,334	809	6.1	3,295	7.1	2.8
Drive-In Movie Theaters	245	2,785	76	5.5	250	78	2.2	331	5.8	1.5
Bowling Lanes	702	3,933	253	3.7	726	262	3.5	870	3.7	—0.5
Summer Camps & Hunting Facilities	124	2,806	74	3.7	124	74	0.2	155	4.6	2.2
Clubs	1,466	10,310	614	5.4	1,541	645	5.1	2,196	7.3	3.0
Total	4,737	19,834	1,780	5.1	4,975	1,868	5.0	6,847	6.6	2.3

fact, at many parks and stadiums foodservice does not change from season to season. Customers want hot dogs, soft drinks, and beer, and that's what they get, year after year.

Some of the more innovative operators, however, continue to upgrade their offerings. At museums particularly, foodservice can be very trendy and stylish. Even at sports stadiums, customers can expect some surprises.

"The whole industry is getting more creative," says Delaware North's Gifford. At Sportservice, he says, an executive chef is constantly reviewing menus. At Chicago's Kaminsky Park, where the White Sox play, Sportservice customers can choose from bratwurst and shaved steak sandwiches as well as from hot dogs and popcorn. The company recently added Chicago's lakeside recreation area, Grant Park, as an account, and one addition to the limited foodservice menu will be a broad variety of ice cream flavors.

SELF-SERVICE. A serve-yourself beer outlet called The Bud Hut recently opened at Detroit's Joe Lewis Arena, operated by Olympia Arenas Inc.(OAI), a subsidiary of Farmington Hills, MI-based Little Caesar Enterprises Inc. Customers line up to receive cups, then pass through a turnstile one at a time to fill the cups from a series of spigots inside the eye-catching black, white, and red kiosk.

Joe Lewis Arena is the first major sports arena to have all its beer piped from a central location, adds Brendy Barr, OAI's director of public relations and publicity. Thousands of feet of pipe snake through the arena from a storage area in the basement, so beer stands never run out of beer.

OAI is also involved in the continuing creation of a festive "food mart" at the arena, with a series of colorful kiosks selling everything from Mexican food to fresh fruit and yogurt. The most popular concessions are two Little Caesars pizza outlets and the Bud Hut, adds Barr.

ALCOHOL CHALLENGES. Alcohol awareness continues to be a major issue to leisure foodservice operators who serve beer at sports events. Last year, Delaware North's Sportservice subsidiary initiated a major program to monitor alcohol consumption among customers at its sports arenas and to publicize the dangers of drinking and driving.

"Our alcohol awareness program is still in place and we're continuing to refine it," says Delaware North's Gifford. "We've had no major incidents, but we're not counting our chickens yet."

Attendance at theme parks is running very strong. At Walt Disney World in Orlando, FL, attendance has been increasing at a rate of about six percent a year, with over 23 million people visiting the sprawling park in 1985. Disney spokeswoman Sarona Soughers attributes 1986's strong season to a decrease in international travel, lower air fares, and lower gas prices.

A STRONG SEASON. Soughers says she expects attendance to continue strong because Walt Disney World is beginning a 15th birthday celebration in October. Prizes will be given away every 15 seconds, with a car awarded to a park guest every day for a year.

Walt Disney World offers a full range of foodservice, from quick burgers to fine dining restaurants. However, the park's most elegant facility, the Lake Buena Vista Club, recently was downscaled to please guests seeking a casual experience. "We're serving steak instead of veal cordon bleu," notes Soughers.

The park's newest restaurant is The Living Seas, serving fresh seafood flown in every day from Boston. Opened in January, the restaurant is dominated by three, huge plexiglass windows that look into a six million-gallon aquarium.

DIVERSIFICATION. On the drawing board at Disney World are the Soundstage Restaurant and the Studio Tour Restaurant, both part of a new $300 million, 100-acre Disney-MGM Studio and Studio Tour, for which ground was broken this summer. The three-year project, when completed, will be the fourth major entertainment center at Disney World, which already features the Magic Kingdom, Epcot Center, and the Walt Disney World Village. The new attraction is a working film and television facility integrated with a walking and tram tour.

At least one caterer active in other segments of the foodservice industry says that the relative stability of the leisure segment makes it attractive as a diversification vehicle to caterers active in other segments of the foodservice industry.

Phoenix, AZ-based Greyhound Food Management Inc. started as a transportation caterer and has since expanded into several other areas. Today, the company operates several leisure accounts, including the Denver Art Museum, the San Francisco Opera House, and seven major lodges at Montana's Glacier National Park that gross $7 million in 100 days during the short summer season. Leisure accounts make up only five percent of GFM's business, but president Joseph Fassler hopes to see that change.**–Jacque White Kochak**

THE TRANSPORTATION MARKET

Americans have been satisfying their taste for travel in ever-increasing numbers, and as a result operators in the transportation sector of the foodservice industry report steadily growing sales. According to RGI data, the foodservice sales in the segment grew by a healthy 9.7 percent in 1985, driven by the performance of the highway subsegment.

SEGMENT IN FLUX. The segment, however, is very much in flux, largely the result of deregulation, changes in the value of the dollar abroad and in fuel prices, and ongoing shifts in Americans' travel patterns. Airline caterers in particular are bracing themselves for turmoil as major airline companies, weakened by intense competition as a result of deregulation, merge with other carriers. A number of airlines are now caught up in acquisition proceedings.

Despite the upheaval in the airline industry, Americans *do* like to travel. Travelers spent $269 billion dollars in the U.S. in 1985, a significant 14 percent increase over 1984. Of that total, $76 billion went for food, compared with $54 billion in 1984, according to the U.S. Travel Data Center.

Americans are satisfying their urge to travel, making the transportation segment healthy.

Travel to Europe, meanwhile, has been off because of fears about terrorism, although some operators are confident that the worst is perhaps over. "We certainly lost some international travel," says John Tippets, vice president of marketing for airlines at Sky Chefs, Arlington, TX, one of the country's three largest airline caterers. "The second quarter was softer than we would have hoped, but the third quarter is looking better."

SEE AMERICA FIRST. Tippets notes that fears of terrorism are not the only thing keeping travelers in the States. The dollar's reduced value internationally has made Europe seem less of a bargain than in the past. But, apparently, Americans are *not* staying at home: Airline caterers and terminal concessionnaires have benefited from a 12.2 percent increase in airline passenger traffic in 1985, spurred by the introduction of 30-day advance supersaver fares introduced in early 1985.

The country's big three airline caterers—Marriott, Sky Chefs, and Dobbs International—all report "business as usual" at this point.

At the end of 1985, Marriott Corp.'s in-flight catering division, based in Washington, DC, operated 61 flight kitchens at 39 airports as well as 29 at 26 foreign airports servicing more than 150 airlines. The company recently signed an agreement with Canadian Pacific Airline to acquire its five Chateau Kitchens, representing Marriott's first catering operations in Canada.

MENU

Beluga Caviar
Wild Scotch Smoked Salmon
Foie Gras of Goose

Salad in Season

Roast Tenderloin of Beef
Roasted Mediterranean Monkfish
Chicken Provencal

A Tasting of Cheeses

A Selection of Gateaux and Fruit

Three-star Roger Verge (center) with his collaborators on menu for Pan Am's Nice to New York flight (l. to r.): cheese-makers Edouard and Robert Ceneri, menu designer Roger Muhl, and patissier Jacques Fourmont. The menu is excerpted above, right.

1984: $2,528,000,000 + 9.4% Sales Growth **1985: $2,774,000,000 + 9.7% Sales Growth**

Transportation Market: Foodservice Sales

1990: $4,432,000,000 + 9.8% Compound Annual Sales Growth

	1984 Sales ($000,000)	1984 Units	1984 Purchases ($000,000)	1984 vs 1983 % Sales Growth	1985 Sales ($000,000)	1985 Purchases ($000,000)	1985 vs 1984 % Sales Growth	1990 Sales ($000,000)	1985-1990 % Compound Annual Sales Growth	
									Nominal	Real
Air & Rail *(in transit)*	1,338	97	652	9.1	1,461	712	9.2	2,461	11.0	6.5
Terminal Facilities	649	269	227	7.5	702	246	8.2	1,025	7.9	3.5
Highway *(interstate)*	368	N/A	130	12.3	420	148	14.1	663	9.6	5.1
Passenger & Cargo Ships	173	57	95	12.8	191	105	10.5	283	8.2	5.6
Total	2,528	423	1,104	9.4	2,774	1,211	9.7	4,432	9.8	5.5

The big news from Sky Chefs, which operates 33 domestic flight kitchens and is building a 34th in Nashville, is the company's new independence from AMR Corp., whose principal subsidiary is American Airlines. The company has been sold to a group of investors dominated by Toronto-based Onex Corp., a diversified industrial company, and is now free to aggressively pursue relationships with airlines other than American.

Memphis-based Dobbs International Services Inc., a subsidiary of conglomerate Carson Pirie Scott & Co., operates 52 flight kitchens at 41 domestic and four foreign airports. The company recently signed a letter of intent with SAS Service Partners, a subsidiary of the Scandinavian Airline System, to form a joint foodservice venture at Chicago's O'Hare Airport.

The company also is opening a new kitchen in Greensboro, NC, in October and is planning major expansion in both Dallas and Cincinnati. The company spent some $13 million last year to purchase new catering kitchens, refurbish or expand existing units, and upgrade equipment.

MARKETING TOOL. The beleaguered airlines are beginning to view amenities like foodservice as a marketing tool to woo customers from competitors. For example, Pan Am's newest shuttle flights offer services such as on-ground ticketing, assigned seating and snack service. In response, Eastern, which shuttles approximately three million people a year between New York, Boston and Washington, is considering adding foodservice.

Pan Am recently began serving a new menu to first class customers on its flagship route between Nice, France and New York. The food is prepared in the Le Ciel D'Azur restaurant at the Nice Airport under the direction of chef Michael Bezard and is inspired by the "Cuisine of the Sun" of three-star Roger Verge, chef/owner Le Moulin de Mougins and l'Amandier in Mougins near Cannes. Verge and his three-star colleagues Pierre Troisgros and Paul Bocuse serve as consultants.

The same quality of food, without the first class trimmings, is served to coach-class customers, says consultant Michael Buller, who put the menu together. What is surprising, he says, is that this meal does not cost any more than typical Pan Am first class service, thanks to careful shopping.

TRAINS. On the ground, Amtrak also has been using foodservice as a marketing tool, and recently began including the price of meals in the first class fare. As a result, first class ridership has increased significantly; last year, first class was running at 60 percent capacity, and this year at 90 percent capacity, says Henry Kabel, foodservice director for Washington, DC-based Amtrak. Amtrak is upgrading snack service by expanding its "Picnic in a Basket" program, which offers sandwiches with accompaniments.

BUS LINES. Bus lines have not been sharing in the transportation boom. Since bus transportation was deregulated many small independent buslines have appeared, hurting the major carriers. Also, very low airfares have made the price of traveling by air almost as cheap as traveling by bus.

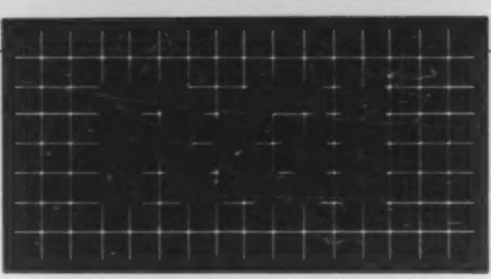
As a result, says Jospeh Fassler, president of Greyhound Food Management Inc. in Phoenix, the company's bus terminal business has dropped 20 percent from last year, on top of a 15 percent decrease from the year before. Five years ago, he says, bus stop sales contributed 50 percent of GFM's total sales; today bus stops account for less than 15 percent of sales.

In response, GFM is wooing charter bus services, hoping to interest them in stopping for meals at the company's many bus station and highway outlets, primarily subleased Post House and Burger King outlets. The company is also eyeing airports, and already operates foodservice outlets at Chicago's O'Hare and at Burbank (CA) airports.

TRUCKERS. GFM also is courting a different kind of traveler: truckers along the interstate highways. The company operates eight truck stop complexes in Pennsylvania, Ohio, Texas, Missouri, Kansas, California, and Oklahoma and plans to open three or four more in 1987. These truck stops generate $10 to $15 million in sales a year.

While GFM is decreasing emphasis on bus terminal foodservice, Dave Laughlin, president, Trailways Food Services Inc., Dallas, remains optimistic about bus travel. The company may open more Church's or Hardee's franchises in bus terminals; presently, Trailways runs three Hardee's and one Church's as well as about 23 small Refreshment Center U.S.A. outlets offering a limited microwavable menu.

Well-known fast food companies continue their march along the nation's toll roads. When Marriott acquired Howard Johnson last November, the company quadrupled its number of units along the country's turnpikes and now has units scattered from Maine to Oklahoma. Marriott is continuing to convert its 22 existing Marriott Foodservice units into a concept combining Big Boys and Roy Rogers. Of the 68 new units acquired from HoJo, a significant number have already been converted to Burger Kings, Popeyes, and Dunkin' Donuts.–**Jacque White Kochak**



19th Annual Restaurant Growth Index

The RGI is a valuable tool for market research, either in analyzing an existing location or evaluating for future expansion.

The foodservice industry is in a constant state of change. Every year, competition intensifies, more kinds of foodservice establishments open their doors, new menu items become popular, and the customer base gets a little more sophisticated. To stay in business, the foodservice operator has to be a little sharper too, every year.

As a research tool, the Restaurant Growth Index (RGI) has also changed with the times. Over the years, we've added new data, changed the techniques used to measure growth potential, and made the statistical information that follows more easy to understand. This year, we've presented all of the information in a format that's easier to read and more consistent.

As in previous years, the heart of this statistical information is the Restaurant Activity Index (RAI), which indicates the propensity for customers in each of 317 metropolitan areas and 214 ADIs (Area of Dominant Influence of a TV station) to patronize restaurants, and the Restaurant Growth Index (RGI) itself, an index indicating how well the supply of restaurants meets the demand for dining out in each area.

Both these tools, in addition to the total information presented in the following detailed tables, can be viewed as a way to approach market research. Whether you are evaluating your own location for potential growth or evaluating new territory for expansion, what follows is the data and estimates you need for planning purposes.

The following information is presented in tabular form:

- Definitions of 317 Metropolitan Statistical Areas (MSAs), pages 182 through 186.
- RGI Regional Summary, page 188.
- Sales by Metropolitan Area (RGI Metro Report), pages 190 through 212.
- Sales by Area of Dominant Influence (ADI Report), pages 212 through 220.
- Top 100 Eating Place Markets (by Metro Area and ADI), page 222.
- Top 100 Fast Food Markets (by Metro Area and ADI), page 223.
- Top 100 Restaurant Markets (by Metro Area and ADI), page 224.
- Top 100 Per Capita Eating Place Markets (by Metro Area and ADI), page 225.
- Top 100 Per Capita Fast Food Markets (by Metro Area and ADI), page 226.
- Top 100 Per Capita Restaurant Markets (by Metro Area and ADI), page 227.
- Top 100 RAI Markets (by Metro Area and ADI), page 228.
- Top 100 RGI Markets (by Metro Area and ADI), page 229.

In addition, information concerning the population, average household size, sales, number of units, and market share is contained within the Metro and ADI Reports.

DEFINITIONS

POPULATION. Updated from the 1980 U.S. Census of Population and Housing, it is an estimate of the number of people living in an area at the end of the year. It includes people living in colleges and hospitals, and armed forces permanently assigned to the area, but excludes tourists and transients. Large changes in group-quarters populations are not projected in these forecasts.

Demographic statistics have been estimated employing a population component procedure. That is, independent county estimates of births, mortality, and migration are generated. These population components are aggregated and either added or subtracted from the appropriate benchmark.

Fertility rates, for example, have been projected at their current rate of change. We assume that the pattern of births will continue its slow but steady rate. Similarly, we have assumed that no major medical advancement will be found over the next few years and that the mortality rates that are in effect today will continue unmodified.

PERCENT OF U.S. POP. A market's share of the total U.S. population.

HOUSEHOLD. A household consists of all the people occupying a single housing unit under 1980 census rules—such as a house, an apartment, a group of rooms, or a single room. The members of a household need not be related, and a single person living alone in a housing unit is also counted as a household.

All persons who are not members of households are regarded as living in group quarters: institutions, college dormitories, military barracks, etc. Caution: Although a county's population total will include all the people in the area, the household total will not do so because it excludes those living in group quarters.

AVERAGE HOUSEHOLD SIZE. Total population divided by the number of households. Depending upon whether it is above or below the U.S. average, it is used as a rough indicator of the relative importance of family-type units or single-person units in a local area.

However, the figure can be artificially high in those relatively few counties where there is a disproportionate share of college, military, or other types of institutional population. The people living in such groups are part of the population total, but their dwellings are not part of the household total. Thus the disparity in these figures.

EATING AND DRINKING PLACES. Includes establishments selling prepared foods and drinks for consumption on or near the premises or for take-out, as well as lunch counters and refreshment stands selling prepared foods and drinks for immediate food contractor, as well as leased eating and/or drinking concessions in theaters, hotels, amusement parks, etc. Restaurants and lunch counters operated by department stores are classified in the General Merchandise Group; those operated by hotels are classified in the Hotels Group.

EATING PLACES. Includes retail sales and units of restaurants and lunch rooms, social cafeterias, fast food sales, contract feeding, and ice cream and frozen custard stands. Excludes drinking place sales and units.

RESTAURANTS. Establishments engaged in serving prepared food and beverages selected by the patron from a full menu. Waiter or waitress service is provided and the establishment has seating facilities for at least 15 patrons. These establishments often serve alcoholic beverages.

Establishments in which sales of alcoholic beverages for consumption on the premises exceed receipts from sales of prepared foods and nonalcoholic beverages are classified as "drinking places."

FOOTNOTE TO SALES FIGURES

Adjustment of eating place sales figures to be comparable to Current Retail Trade Reports.

After adjustments for differences in what Current Retail Trade includes in eating places and for what we exclude (all sales that are not included in meals and snacks and alcoholic beverages, and the total sales of all establishments that do not have a payroll), the 1985 data for eating places as presented in the forecast and analysis section rises from $111,131,000,000 to $124,424,000,000.

The components of adjustment are:

1. Non-payroll establishments—Knapp includes only establishments with payrolls. Adjusting for non-payroll establishments adds $2,430,000,000

2. Merchandise line—Knapp includes only sales of food (meals and snacks and nonalcoholic beverages) and alcoholic beverages. Adjusting to total sales adds $1,365,000,000.

3. Contract feeders—Knapp does not include contract feeders in eating places as Current Retail Trade Reports does; but shows sales in the segment they serve. Adjusting for the inclusion of contract feeders adds $9,498,000,000, a figure higher than the Census.

Adjustment of drinking places sales figures to be comparable to Current Retail Trade Reports.

1. Non-payroll establishments—Knapp includes only establishments with payrolls. Adjusting for non-payroll establishments adds $948,000,000.

2. Merchandise line—Knapp includes only sales of food (meals and snacks and nonalcoholic beverages) and alcoholic beverages. Adjusting to total sales adds $758,000,000.

The adjusted drinking places sales figure goes from $8,238,000,000 to $9,944,000,000.

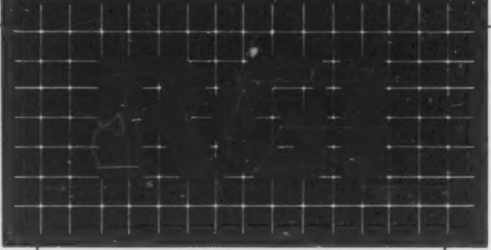
The adjusted eating and drinking place sales figures go from $119,369,000 to $134,368,000,000.

FAST FOOD. Establishments primarily selling limited lines of refreshments and prepared food items. Included in this group are establishments which prepare refreshment items such as pizza, barbecued chicken, and hamburgers for consumption either on or near the premises or for "take-home" comsumption.

MARKET SHARE. Represents the percent of eating places from fast food units or from restaurants. It is indicative of customer preference of these types of establishments in that area.

RESTAURANT ACTIVITY INDEX (RAI). The percent of U.S. eating place sales divided by the percent of U.S. food store sales, expressed as an index. An

continued on page 178



RAI is an index of a given population's propensity to dine out; RGI is an index of how fully that demand is met.

index greater than 100 indicates a more than average propensity to eat out rather than at home.

RESTAURANT GROWTH INDEX (RGI). The RGI is designed to show the relationship between restaurant supply and demand in each market as an index. When supply equals demand, the index is 100. When demand exceeds supply, and the potential for growth is present, the index will exceed 100. The amount by which the RGI exceeds 100 represents the proportion of growth potential that is present—an index of 120 means that the market's demand could support 20 percent growth. When the market is saturated, and supply exceeds demand, the index will drop below 100.

Demand is measured by six factors:

- Market's share of U.S. employed persons.
- Market's share of U.S. working women.
- Market's share of U.S. households with effective buying income of $25,000 or more.
- Market's share of U.S. eating place sales.
- Market's share of U.S. hotel and motel receipts.
- Market's share of U.S. population age 14 & under; 25 to 44.

These factors are given equal weight and added together to create the demand portion of the equation (i.e., A+B+C+D+E+F divided by 6).

Supply is measured by the percentage of U.S. total eating places located in the market.

The RGI is created by dividing demand by supply, and multiplying the result by 100, so that the final figure will be in index form.

TELEVISION MARKET. The TV markets are the American Research Bureau's Areas of Dominant Influence (ADIs). ARB studies each county for its measurable viewing patterns. The hours of viewing accorded with each TV station whose signal reached the county are totaled; then each station's percentage share of total viewing hours is calculated. The market of origin of the TV stations with the largest share of viewing hours becomes the ADI name for that market, and all counties whose largest viewing share is given to stations of that same market of origin are grouped within the ADI. (For its purposes, ARB splits certain counties, treating each portion as if it were a separate county.) Each county (or portion) is allocated exclusively to a single ADI; thus overlap is eliminated. All of the United States is covered except for Hawaii and part of Alaska.

METROPOLITAN STATISTICAL AREAS (MSAs). In the Restaurant Growth Index, metropolitan markets are identical with Federal government's definition of MSAs or PMSAs (Primary Metropolitan Statistical Area), except in New England, where NECMAs (New England County Metropolitan Areas) are used. These metropolitan markets are counties or groups of counties which meet certain criteria of metropolitan character.

The basic criteria for metropolitan areas are:

1. Each metropolitan statistical area must include a city which, with contiguous and densely settled territory, constitutes a Census Bureau defined urbanized area with at least 50,000 population.

2. If metropolitan statistical area's largest city has less than 50,000 population, the area must have a total population of at least 100,000.

Thus, a city of 50,000 or an urbanized area surrounding a city with 50,000 and a population density of 1,000 per square mile become a basic test of the metropolitan character of an area. The county or counties in which the city or urbanized area is located, plus surrounding counties with heavy commuting between themselves and the core counties and population density sufficient to establish them as metropolitan, are designated as the metropolitan area.

Certain areas meet many tests of metropolitan character, but are located within larger, dominating metropolitan statistical areas of one million or more population. To preserve the identity of these areas within the large, "mega-metropolitan area," the government devised a second level of metropolitan criteria. These criteria identify, within metropolitan areas of at least one million population, sub-areas that are called Primary Metropolitan Statistical Areas (PMSAs). A county or counties that express strong local opinion to be identified as a PMSA must have:

1. At least 100,000 population.

2. At least 60 percent of its population urban.

3. Less than 50 percent of its resident workers commuting to jobs outside the county.

The Restaurant Growth Index treats MSAs and PMSAs as equivalent areas, so that the most locally identifiable area that qualifies as metropolitan will be the one appearing in the statistical tables.

In New England, the official MSA definitions are based on cities and towns rather than counties. Because the Restaurant Growth Index is developed from a county level data base, we use New England County Metropolitan Areas (NECMAs) in the six New England states. NECMAs are determined by using the MSA standards as described above.

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METROPOLITAN STATISTICAL AREAS

The definitions of each metropolitan area as covered in the Restaurant Growth Index and defined by the Federal government.

Abilene, TX—Taylor
Akron, OH—Portage, Summit
Albany, GA—Dougherty, Lee
Albany-Schenectady-Troy, NY—Albany, Greene, Montgomery, Renselaer, Saratoga, Schenectady
Alburquerque, NM—Bernalillo
Alexandria, LA—Rapides
Allentown-Bethlehem, PA-NJ—Carbon, Pennsylvania; Lehigh, Pennsylvania; Northampton, Pennsylvania; Warren, New Jersey
Alton-Granite City, IL—Jersey, Madison
Altoona, PA—Blair
Amarillo, TX—Potter, Randall
Anaheim-Santa Ana, CA—Orange
Anchorage, AK—Anchorage Borough
Anderson, IN—Madison
Anderson, SC—Anderson
Ann Arbor, MI—Washtenaw
Anniston, AL—Calhoun
Appleton-Oshkosh-Neenah, WI—Calumet, Outagamie, Winnebago
Asheville, NC—Buncombe
Athens, GA—Clarke, Jackson, Madison, Oconee
Atlanta, GA—Barrow, Butts, Cherokee, Clayton, Cobb, Coweta, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Henry, Newton, Paulding, Rockdale, Spalding, Walton
Atlantic City, NJ—Atlantic, Cape May
Augusta, GA-SC—Columbia, McDuffie, GA; Richmond, GA; Aiken, SC
Aurora-Elgin, IL—Kane, Kendall
Austin, TX—Hays, Travis, Williamson
Bakersfield, CA—Kern
Baltimore, MD—Anne Arundel, Baltimore, Carroll, Harford, Howard, Queen Anne's, Baltimore
Bangor, ME—Penobscot
Baton Rouge, LA—Ascension, East Baton Rouge, Livingston, West Baton Rouge
Battle Creek, MI—Calhoun
Beaumont-Port Arthur, TX—Hardin, Jefferson, Orange
Beaver County, PA—Beaver
Bellingham, WA—Whatcom
Benton Harbor, MI—Berrien
Bergen-Passaic, NJ—Bergen, Passaic
Billings, MT—Yellowstone
Biloxi-Gulfport, MS—Hancock, Harrison
Binghamton, NY—Broome, Tioga
Birmingham, AL—Blount, Jefferson, St. Clair, Shelby, Walker
Bismarck, ND—Burleigh, Morton
Bloomington, IN—Monroe
Bloomington-Normal, IL—McLean
Boise City, ID—Ada
Boston-Lawrence-Salem-Lowell-Brockton, MA—Essex, Middlesex, Norfolk, Plymouth, Suffolk
Boulder-Longmont, CO—Boulder
Bradenton, FL—Manatee
Brazoria, TX—Brazoria
Bremerton, WA—Kitsap
Bridgeport-Stamford-Norwalk-Danbury, CT—Fairfield
Brownsville-Harlingen, TX—Cameron
Bryan-College Station, TX—Brazos
Buffalo, NY—Erie
Burlington, NC—Alamance
Burlington, VT—Chittenden, Grand Isle
Canton, OH—Carroll, Stark
Casper, WY—Natrona
Cedar Rapids, IA—Linn
Champaign-Urbana-Rantoul, IL—Champaign
Charleston, SC—Berkeley, Charleston, Dorchester
Charleston, WV—Kanawha, Putnam
Charlotte-Gastonia-Rock Hill, NC-SC—Cabarrus, Gaston, Kannapolis, Lincoln, Mecklenburg, Rowan, Union, all NC; York, SC
Charlottesville, VA—Albemarle, Fluvanna, Greene, Charlottesville
Chattanooga, TN-GA—Hamilton, TN; Marion, TN; Sequatchie, TN; Catoosa, GA; Dade, GA; Walker, GA
Cheyenne, WY—Laramie
Chicago, IL—Cook, DuPage, McHenry
Chico, CA—Butte
Cincinnati, OH-KY-IN—Clermont, OH; Hamilton, OH; Warren, OH; Boone, KY; Campbell, KY; Kenton, KY; Dearborn, IN
Clarksville-Hopkinsville, TN-KY—Montgomery, TN; Christian, KY
Cleveland, OH—Cuyahoga, Geauga, Lake, Medina
Colorado Springs, CO-El Paso
Columbia, MO—Boone
Columbia, SC—Lexington, Richland
Columbus, GA-AL—Chattahoochee, GA; Muscogee, GA; Russell, AL
Columbus, OH—Delaware, Fairfield, Franklin, Licking, Madison, Pickaway, Union
Corpus Christi, TX—Nueces, San Patricio
Cumberland, MD-WV—Allegany, MD; Mineral, WV
Dallas, TX—Collin, Dallas, Denton, Ellis, Kaufman, Rockwall
Danville, VA—Pittsylvania, Danville
Davenport-Rock Island-Moline, IA-IL—Scott, IA; Henry, IL; Rock Island, IL
Dayton-Springfield, OH—Clark, Greene, Miami, Montgomery
Daytona Beach, FL—Volusia
Decatur, IL—Macon
Denver, CO—Adams, Arapahoe, Denver, Douglas, Jefferson
Des Moines, IA—Dallas, Polk, Warren
Detroit, MI—Lapeer, Livingston, Macomb, Monroe, Oakland, St. Clair, Wayne
Dothan, AL—Dale, Houston
Dubuque, IA—Dubuque
Duluth, MN-WI—St. Louis, MN; Douglas, WI
East St. Louis-Belleville, IL—Clinton, St. Clair
Eua Claire, WI—Chippewa, Eau Claire
El Paso, TX—El Paso
Elkhart-Goshen, IN—Elkhart
Elmira, NY—Chemung
Enid, OK—Garfield
Erie, PA—Erie
Eugene-Springfield, OR—Lane
Evansville, IN-KY—Posey, IN; Vanderburgh, IN; Warrick, IN; Henderson, KY
Fargo-Moorehead, ND-MN—Cass, ND; Clay, MN
Fayetteville, NC—Cumberland
Fayetteville-Springdale, AR—Washington
Flint, MI—Genesee
Florence, AL—Colbert, Lauderdale
Florence, SC—Florence
Fort Collins-Loveland, CO—Larimer
Fort Lauderdale-Hollywood-Pompano Beach, FL—Broward
Fort Myers, FL—Cape Coral, Lee
Fort Pierce, FL—Martin, St. Lucie
Fort Smith, AR-OK—Crawford, Sebastian, AR; Sequoyah, OK
Fort Walton Beach, FL—Okaloosa
Fort Wayne, IN—Allen, De Kalb, Whitley
Forth Worth-Arlington, TX—Johnson, Parker, Tarrant
Fresno, CA—Fresno
Gadsden, AL—Etowah
Gainesville, FL—Alachua, Bradford
Galveston-Texas City, TX—Galvelston
Gary-Hammond, IN—Lake, Porter
Glens Falls, NY—Warren, Washington
Grand Forks, ND—Grand Forks
Grand Rapids, MI—Kent, Ottawa
Great Falls, MT—Cascade
Greeley, CO—Weld
Green Bay, WI—Brown
Greensboro-Winston-Salem-High Point, NC—Davidson, Davie, Forsyth, Guilford, Randolph, Stokes, Yadkin
Greenville-Spartanburg, SC—Greenville, Pickens, Spartanburg
Hagerstown, MD—Washington
Hamilton-Middletown, OH—Butler
Harrisburg-Lebanon-Carlisle, PA—Cumberland, Dauphin, Lebanon, Perry
Hartford-New Britain-Middletown-Bristol, CT—Hartford,

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MSAs *from p. 182.*
Middlesex, Tolland
Hickory, NC—Alexander, Burke, Catawba
Honolulu, HI—Honolulu
Houma-Thibodaux, LA—Lafourche, Terrebonne
Houston, TX—Fort Bend, Harris, Liberty, Montgomery, Waller
Huntington-Ashland, WV-KY-OH—Cabell, WV; Wayne, WV; Boyd, KY; Carter, KY; Greenup, KY; Lawrence, OH
Huntsville, AL—Madison
Indianapolis, IN—Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Shelby
Iowa City, IA—Johnson
Jackson, MI—Jackson
Jackson, MS—Hinds, Madison, Rankin
Jackson, TN—Madison
Jacksonville, FL—Clay, Duval, Nassau, St. Johns
Jacksonville, NC—Onslow
Janesville-Beloit, WI—Rock
Jersey City, NJ—Hudson
Johnson City-Kingsport-Bristol, TN-VA—Carter, TN; Hawkins, TN; Sullivan, TN; Unicoi, TN; Washington, TN; Scott, VA; Washington, VA; Bristol, VA
Johnstown, PA—Cambria, Somerset
Joliet, IL—Grundy, Will
Joplin, MO—Jasper, Newton
Kalamazoo, MI—Kalamazoo
Kankakee, IL—Kankakee
Kansas City, MO-KS (recombined)—Cass, Clay, Jackson, Lafayette, Platte, Ray, all MO; Johnson, Leavenworth, Miami, Wyandotte, all KS.
Kenosha, WI—Kenosha
Killeen-Temple, TX—Bell, Coryell
Knoxville, TN—Anderson, Blount, Grainger, Jefferson, Knox, Sevier, Union
Kokomo, IN—Howard, Tipton
La Crosse, WI—La Crosse
Lafayette, LA—Lafayette, St. Martin
Lafayette-West Lafayette, IN—Tippecanoe
Lake Charles, LA—Calcasieu
Lake County, IL—Lake
Lakeland-Winter Haven, FL—Polk
Lancaster, PA—Lancaster
Lansing-East Lansing, MI—Clinton, Eaton, Ingham
Laredo, TX—Webb
Las Cruces, NM—Dona Ana
Las Vegas, NV—Clark
Lawrence, KS—Douglas
Lawton, OK—Comanche
Lewiston-Auburn, ME—Androscoggin
Lexington-Fayette, KY—Bourbon, Clark, Fayette, Jessamine, Scott, Woodford
Lima, OH—Allen, Auglaize
Lincoln, NE—Lancaster
Little Rock-North Little Rock, AR—Faulkner, Lonoke, Pulaski, Saline
Longview-Marshall, TX—Gregg, Harrison
Lorain-Elyria, OH—Lorain
Los Angeles-Long Beach, CA—Los Angeles
Louisville, KY-IN—Bullitt, KY; Jefferson, KY; Oldham, KY; Shelby, KY; Clark, IN; Floyd, IN; Harrison, IN
Lubbock, TX—Lubbock
Lynchburg, VA—Amherst, Campbell, Lynchburg
Macon-Warner Robins, GA—Bibb Houston, Jones, Peach
Madison, WI—Dane
Manchester, NH—Hillsborough
Mansfield, OH—Richland
McAllen-Endinburg-Mission, TX—Hidalgo
Medford, OR—Jackson
Merced, CA—Merced
Melbourne-Titusville-Palm Bay, FL—Brevard
Memphis, TN-AR-MS—Shelby, TN; Tipton, TN; Crittenden, AR; De Sota, MS
Miami-Hialeah, FL—Dade
Middlesex-Somerset-Hunterdon, NJ—Hunterdon, Middlesex, Somerset
Midland, TX—Midland
Milwaukee, WI—Milwaukee, Ozaukee, Washington, Waukesha
Minneapolis-St. Paul, MN-WI—Anoka, MN; Carver, MN; Chisago, MN; Dakota, MN; Hennepin, MN; Isanti, MN; Ramsey, MN; Scott, MN; Washington, MN; Wright, MN; St. Croix, WI
Mobile, AL—Baldwin, Mobile
Modesto, CA—Stanislaus
Monmouth-Ocean, NJ—Monmouth, Ocean
Monroe, LA—Ouachita
Montgomery, AL—Autauga, Elmore, Montgomery
Muncie, IN—Delaware
Muskegon, MI—Muskegon
Naples, FL—Collier
Nashville, TN—Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson, Wilson
Nassau-Suffolk, NY—Nassau, Suffolk
New Bedford, Fall River-Attleboro, MA—Bristol
New Haven-Waterbury-Meriden, CT—New Haven
New London-Norwich, CT—New London
New Orleans, LA—Jefferson, Orleans, St. Bernard, St. Charles, St. John the Baptist, St. Tammany
New York, NY—Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, Westchester
Newark, NJ—Essex, Morris, Sussex, Union
Niagara Falls, NY—Niagara
Norfolk-Virginia Beach-Newport News, VA—Gloucester, James City, York, Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg
Oakland, CA—Alameda, Contra Costa
Ocala, FL—Marion
Odessa, TX—Ector
Oklahoma City, OK—Canadian, Cleveland, Logan, McClain, Oklahoma, Pottawatomie
Olympia, WA—Thurston
Omaha, NE-IA—Douglas, NE; Sarpy, NE; Washington, NE; Pottawattamie, IA
Orange County, NY—Orange
Orlando, FL—Orange, Osceola, Seminole
Owensboro, KY—Daviess
Oxnard-Ventura, CA—Ventura
Panama City, FL—Bay
Parkersburg-Marietta, WV-OH—Wood, WV; Washington, OH
Pascagoula, MS—Jackson
Pensacola, FL—Escambia, Santa Rosa
Peoria, IL—Peoria, Tazewell, Woodford
Philadelphia, PA-NJ—Bucks, PA; Chester, PA; Delaware, PA; Montgomery, PA; Philadelphia, PA; Burlington, NJ; Camden, NJ; Gloucester, NJ
Phoenix, AZ—Maricopa
Pine Bluff, AR—Jefferson
Pittsburgh, PA—Allegheny, Fayette, Washington, Westmoreland
Pittsfield, MA—Bershire
Portland, ME—Cumberland
Portland, OR—Clackamas, Multnomah, Washington, Yamhill
Portsmouth-Dover-Rochester, NH—Rockingham, Strafford
Poughkeepsie, NY—Dutchess
Providence-Pawtucket-Woonsocket, RI—Bristol, Kent, Providence, Washington
Provo-Orem, UT—Utah
Pueblo, CO—Pueblo
Racine, WI—Racine
Raleigh-Durham, NC—Durham, Franklin, Orange, Wake
Rapid City, SD—Pennington
Reading, PA—Berks
Redding, CA—Shasta
Reno, NV—Washoe
Richland-Kennewick-Pasco, WA—Benton, Franklin
Richmond-Petersburg, VA—Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, New Kent, Pawhatan, Prince George, Colonial Heights, Hopewell Petersburg, Richmond
Riverside-San Bernardino, CA—Riverside, San Bernardino
Roanoke, VA—Botetourt, Roanoke County, Roanoke City, Salem
Rochester, MN—Olmstead
Rochester, NY—Livingston, Monroe, Ontario, Orleans, Wayne
Rockford, IL—Boone, Winnebago
Sacramento, CA—El Dorado, Placer, Sacramento, Yolo, Roseville City
Saginaw-Bay City-Midland, MI—Bay, Midland, Saginaw
Santa Fe, NM—Los Alamos, Santa Fe
St. Cloud, MN—Benton, Sherburne, Stearns
St. Joseph, MO—Buchanan
St. Louis, MO-IL—Franklin, MO; Jefferson, MO: St. Charles, MO; St. Louis County, MO; St. Louis City, MO; Monroe, IL
Salem, OR—Marion, Polk
Salinas-Seaside-Monterey, CA—Monterey
Salt Lake City-Ogden, UT—Davis, Salt Lake, Weber
San Angelo, TX—Tom Green
San Antonio, TX—Bexar, Comal, Guadalupe
San Diego, CA—San Diego
San Francisco, CA—Marin, San Francisco, San Mateo
San Jose, CA—Santa Clara
Santa Barbara-Santa Maria-Lompoc, CA—Santa Barbara
Santa Cruz, CA—Santa Cruz
Santa Rosa-Petaluma, CA—Sonoma
Sarasota, FL—Sarasota
Savannah, GA—Chatham, Effingham
Scranton-Wilkes-Barre, PA—Columbia, Lackawanna, Luzerne, Monroe, Wyoming
Seattle, WA—King, Snohomish
Sharon, PA—Mercer
Sheboygan, WI—Sheboygan
Sherman-Denison, TX—Grayson
Shreveport, LA—Bossier, Caddo
Sioux City, IA-NE—Woodbury, IA, Dakota, NE
Sioux Falls, SD—Minnehaha
South Bend-Mishawaka, IN—St. Joseph
Spokane, WA—Spokane
Springfield, IL—Menard, Sangamon

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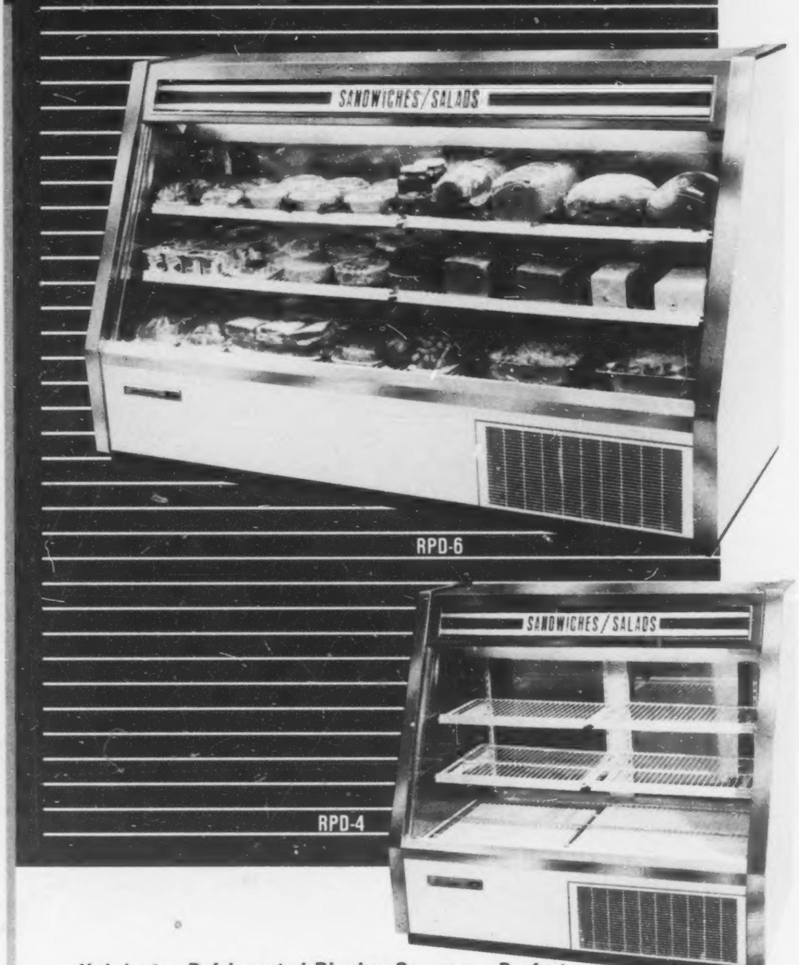
TOOLS OF
THE TRADE



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- Extra refrigerated storage . . . convenient refrigerated drawer storage below the display area.
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- Energy efficient . . . foamed-in-place insulation, automatic defrost, fully adjustable thermostat control . . . units draw only 6 or 7 amps of power depending upon model.
- Self-closing sliding doors . . . easy access and faster service.
- Easy service and maintenance . . . convenient slide-out refrigeration unit with front air discharge.

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One of the White Consolidated Industries

For information circle number 195

MSAs *from p. 184.*

Springfield, MA—Hampden, Hampshire
Springfield, MO—Christian, Greene
State College, PA—Centre
Steubenville-Weirton, OH-WV—Jefferson, OH; Brooke, WV; Hancock, WV
Stockton, CA—San Joaquin
Syracuse, NY—Madison, Onondaga, Oswego
Tacoma, WA—Pierce
Tallahassee, FL—Gadsden, Leon
Tampa-St. Petersburg-Clearwater,FL—Hernando, Hillsborough, Pasco, Pinellas
Terre Haute, IN—Clay, Vigo
Texarkana, TX-Texarkana, AR—Bowie, TX; Miller, AR
Toledo, OH—Fulton, Lucas, Wood
Topeka, KS—Shawnee
Trenton, NJ—Mercer
Tucson, AZ—Pima
Tulsa, OK—Creek, Osage, Rogers, Tulsa, Wagoner
Tuscaloosa, AL—Tuscaloosa
Tyler, TX—Smith
Utica-Rome, NY—Herkimer, Oneida
Vallejo-Fairfield-Napa, CA—Napa, Solano
Vancouver, WA—Clark
Victoria, TX—Victoria
Vineland-Millville-Bridgeton, NJ—Cumberland
Visalia-Tulare-Porterville, CA—Tulare
Waco, TX—McLennan
Washington, DC-MD-VA—District of Columbia; Calvert, MD; Charles, MD; Frederick, MD; Montgomery, MD; Prince George's, MD; Arlington, VA; Fairfax, VA; Loudon, VA; Prince William, VA; Stafford, VA; Alexandria, VA; Falls Church, VA; Manassas, VA; Manassas Park, VA
Waterloo-Cedar Falls, IA—Black Hawk, Bremer
Wausau, WI—Marathon
West Palm Beach-Boca Raton-Delray Beach, FL—Palm Beach
Wheeling, WV-OH—Marshall, WV; Ohio, WV; Belmont, OH
Wichita, KS—Butler, Sedgwick
Wichita Falls, TX—Wichita
Williamsport, PA—Lycoming
Wilmington, DE-MD-NJ—New Castle, DE: Cecil, MD; Salem, NJ
Wilmington, NC—New Hanover
Worcester, MA—Worcester
Yakima, MA—Yakima
York, PA—Adams, York
Youngstown-Warren, OH—Mahoning, Trumbull
Yuba City, CA—Sutter, Yuba

RGI REGIONAL SUMMARY

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			—
REGION State	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
Connecticut	3,175.9	1.3187	2.75	2,177,374	2,024,197	4,107	615,587	30	1,136,418	56	104	98
Maine	1,175.4	0.4881	2.73	619,906	602,090	1,677	217,630	36	338,639	56	83	78
Massachusetts	5,847.4	2.4279	2.70	4,915,469	4,580,301	7,597	1,243,844	27	2,683,405	59	129	106
New Hampshire	1,000.7	0.4156	2.72	646,034	632,073	1,471	183,891	29	390,742	62	86	89
Rhode Island	969.5	0.4026	2.75	595,673	545,607	1,330	167,922	31	321,995	59	106	82
Vermont	537.8	0.2233	2.71	334,538	310,410	856	84,495	27	192,543	62	90	83
NEW ENGLAND	**12,706.7**	**5.2762**	**2.72**	**9,288,994**	**8,694,678**	**17,038**	**2,513,369**	**29**	**5,063,742**	**58**	**111**	**97**
New Jersey	7,618.9	3.1635	2.76	4,389,237	3,834,059	8,436	1,158,695	30	2,106,589	55	87	133
New York	17,966.2	7.4600	2.69	10,302,442	9,548,985	21,857	2,602,716	27	5,370,998	56	107	96
Pennsylvania	12,012.0	4.9877	2.67	5,783,200	5,194,029	12,573	1,864,767	36	2,617,342	50	89	99
MIDDLE ATLANTIC	**37,597.1**	**15.6112**	**2.70**	**20,474,879**	**18,577,073**	**42,866**	**5,626,178**	**30**	**10,094,929**	**54**	**97**	**104**
Illinois	11,640.4	4.8333	2.73	5,716,552	5,257,805	13,390	2,043,063	39	2,674,788	51	104	96
Indiana	5,585.8	2.3194	2.79	2,915,288	2,713,599	6,720	1,269,997	47	1,161,366	43	101	87
Michigan	9,211.9	3.8251	2.78	4,646,501	4,230,593	10,105	1,631,163	39	2,170,496	51	101	94
Ohio	10,836.0	4.4994	2.70	5,731,934	5,278,643	12,505	2,264,402	43	2,495,816	47	96	91
Wisconsin	4,818.0	2.0006	2.71	2,483,631	2,095,452	6,155	706,588	34	1,251,030	60	100	83
EAST NORTH CENTRAL	**42,092.1**	**17.4778**	**2.74**	**21,493,906**	**19,576,092**	**48,875**	**7,915,213**	**40**	**9,753,496**	**50**	**100**	**91**
Iowa	2,942.8	1.2219	2.62	1,196,718	1,053,377	4,015	451,927	43	507,063	48	69	70
Kansas	2,470.5	1.0258	2.66	1,085,019	1,037,466	3,415	516,723	50	427,783	41	80	75
Minnesota	4,224.3	1.7540	2.73	2,191,748	1,974,551	5,011	649,165	33	1,162,262	59	89	97
Missouri	5,093.8	2.1151	2.74	2,510,812	2,372,749	6,026	1,056,987	45	1,032,513	44	86	94
Nebraska	1,622.4	0.6737	2.66	820,818	713,363	2,172	293,614	41	368,551	52	95	79
North Dakota	699.9	0.2906	2.83	305,831	255,396	912	99,233	39	141,538	55	87	82
South Dakota	719.3	0.2987	2.72	312,914	268,468	1,033	90,026	34	161,026	60	83	69
WEST NORTH CENTRAL	**17,773.0**	**7.3798**	**2.70**	**8,423,860**	**7,675,370**	**22,584**	**3,157,675**	**41**	**3,800,736**	**50**	**84**	**84**
Delaware	621.4	0.2580	2.81	348,431	325,455	760	138,883	43	162,041	50	94	98
District of Columbia	621.0	0.2579	2.45	711,749	667,892	1,085	167,882	25	342,306	51	265	159
Florida	11,435.2	4.7482	2.51	7,012,351	6,608,319	13,769	2,350,610	36	3,554,998	54	108	107
Georgia	5,990.5	2.4874	2.82	3,163,127	3,026,148	6,195	1,533,930	51	1,144,110	38	104	115
Maryland	4,436.4	1.8421	2.79	2,590,343	2,393,102	4,517	974,179	41	1,074,131	45	98	115
North Carolina	6,304.9	2.6179	2.74	2,871,549	2,806,662	6,997	1,473,501	53	1,061,856	38	87	96
South Carolina	3,396.3	1.4102	2.83	1,507,114	1,463,198	3,434	728,763	50	551,347	38	89	108
Virginia	5,785.0	2.4021	2.85	2,849,813	2,803,152	6,415	1,231,191	44	1,226,914	44	93	109
West Virginia	1,967.9	0.8171	2.69	646,292	616,468	1,835	349,143	57	215,960	35	66	91
SOUTH ATLANTIC	**40,558.6**	**16.8409**	**2.70**	**21,700,769**	**20,710,396**	**45,007**	**8,948,082**	**43**	**9,333,663**	**45**	**99**	**108**
Alabama	4,079.8	1.6940	2.75	1,381,116	1,334,117	3,481	753,989	57	432,255	32	75	103
Kentucky	3,786.2	1.5722	2.80	1,576,486	1,504,356	3,624	839,443	56	537,686	36	86	97
Mississippi	2,647.3	1.0992	2.89	799,540	774,628	2,233	418,699	54	266,891	34	66	101
Tennessee	4,793.2	1.9902	2.72	2,247,416	2,184,400	4,952	1,036,140	47	925,218	42	90	105
EAST SOUTH CENTRAL	**15,306.5**	**6.3556**	**2.77**	**6,004,558**	**5,797,501**	**14,290**	**3,048,271**	**53**	**2,162,050**	**37**	**81**	**102**
Arkansas	2,401.6	0.9972	2.75	877,508	857,617	2,624	486,754	57	286,835	33	82	82
Louisiana	4,532.6	1.8820	2.86	2,366,970	2,215,569	4,223	930,949	42	834,604	38	92	111
Oklahoma	3,356.0	1.3935	2.64	1,913,125	1,858,834	4,317	900,640	48	704,643	38	102	80
Texas	16,408.7	6.8133	2.82	9,925,958	9,267,154	18,961	3,998,833	43	3,927,330	42	100	101
WEST SOUTH CENTRAL	**26,698.9**	**11.0860**	**2.80**	**15,083,561**	**14,199,174**	**30,125**	**6,317,176**	**44**	**5,753,412**	**41**	**98**	**98**
Arizona	3,252.2	1.3504	2.62	1,828,599	1,689,745	3,589	612,454	36	896,801	53	92	109
Colorado	3,269.7	1.3576	2.57	2,291,704	2,128,726	4,478	671,172	32	1,213,005	57	109	100
Idaho	1,029.9	0.4277	2.93	431,371	390,507	1,204	151,417	39	213,757	55	75	86
Montana	836.7	0.3474	2.60	464,848	365,585	1,349	128,189	35	219,530	60	75	69
Nevada	940.9	0.3906	2.46	683,670	606,819	1,122	209,336	34	323,626	53	93	541
New Mexico	1,475.7	0.6128	2.82	775,950	720,147	1,880	306,975	43	342,314	48	92	85
Utah	1,698.8	0.7054	3.24	597,299	576,549	1,644	256,596	45	280,262	49	75	104
Wyoming	516.4	0.2144	2.73	341,985	289,068	726	113,039	39	152,555	53	86	106
MOUNTAIN	**13,020.3**	**5.4063**	**2.71**	**7,415,426**	**6,767,146**	**15,992**	**2,449,178**	**36**	**3,641,850**	**54**	**92**	**128**
Alaska	537.8	0.2233	2.90	547,066	458,791	682	138,667	30	205,924	45	120	121
California	26,345.3	10.9393	2.71	18,322,054	17,291,415	33,881	6,086,581	35	9,771,472	57	119	96
Hawaii	1,071.3	0.4448	3.21	1,171,624	1,101,277	1,543	363,527	33	626,450	57	199	165
Oregon	2,709.2	1.1249	2.61	1,562,421	1,433,957	4,018	525,550	37	795,010	55	114	74
Washington	4,416.7	1.8339	2.58	2,723,391	2,504,598	5,694	833,925	33	1,450,421	58	106	88
PACIFIC	**35,080.3**	**14.5662**	**2.70**	**24,326,556**	**22,790,038**	**45,818**	**7,948,250**	**35**	**12,849,277**	**56**	**119**	**97**
United States Total	**240,833.5**	**100.0000**	**2.72**	**134,212,509**	**124,787,468**	**282,595**	**47,923,392**	**38**	**62,453,155**	**50**	**100**	**100**

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SALES BY METROPOLITAN AREA

This section of the Restaurant Growth Index provides sales, unit counts, market share, and RAI/RGI indexes for 317 Metropolitan Statisticals Areas (MSAs).

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
ALABAMA												
Anniston	125.7	0.0522	2.85	34,759	34,039	97	19,404	57	10,723	32	84	110
Birmingham	922.1	0.3829	2.66	355,183	342,686	838	181,611	53	114,344	33	81	106
Dothan	128.5	0.0534	2.78	59,348	57,909	136	36,272	63	17,224	30	90	94
Florence	141.0	0.0585	2.68	49,577	47,797	134	27,250	57	15,056	31	89	88
Gadsden	105.2	0.0437	2.67	36,801	35,991	108	20,517	57	11,337	31	74	79
Huntsville	213.1	0.0885	2.70	109,925	104,795	198	56,941	54	37,704	36	113	135
Mobile	473.8	0.1966	2.79	210,091	197,785	436	103,419	52	67,405	34	77	106
Montgomery	293.9	0.1222	2.80	120,659	116,524	254	66,427	57	36,706	32	90	122
Tuscaloosa	144.2	0.0598	2.76	60,872	57,292	129	32,661	57	18,049	32	75	104
Non-Metro Portion of State	1,483.8	0.6160	2.79	331,591	327,208	1,113	202,593	62	99,901	31	58	95
State Total	**4,079.8**	**1.6940**	**2.75**	**1,381,116**	**1,334,117**	**3,481**	**753,989**	**57**	**432,255**	**32**	**75**	**103**
ALASKA												
Anchorage	237.1	0.0984	2.71	326,998	290,667	293	92,684	32	123,275	42	171	150
Non-Metro Portion of State	300.7	0.1249	3.07	220,068	168,124	389	45,983	27	82,649	49	80	99
State Total	**537.8**	**0.2233**	**2.90**	**547,066**	**458,791**	**682**	**138,667**	**30**	**205,924**	**45**	**120**	**121**
ARIZONA												
Phoenix	1,841.1	0.7644	2.56	1,152,255	1,075,003	1,976	374,519	35	575,024	53	96	125
Tucson	634.6	0.2635	2.51	348,092	317,774	701	126,434	40	156,982	49	100	96
Non-Metro Portion of State	776.5	0.3225	2.88	328,252	296,968	912	111,501	38	164,795	55	73	84
State Total	**3,252.2**	**1.3504**	**2.62**	**1,828,599**	**1,689,745**	**3,589**	**612,454**	**36**	**896,801**	**53**	**92**	**109**
ARKANSAS												
Fayetteville - Springdale	107.6	0.0446	2.70	59,601	57,904	160	32,605	56	20,104	35	107	71
Fort Smith	178.5	0.0741	2.72	79,207	78,184	230	43,686	56	27,275	35	114	75
Little Rock - North Little Rock	505.0	0.2097	2.75	262,405	257,036	543	133,991	52	94,066	37	102	107
Pine Bluff	90.0	0.0373	2.94	28,615	27,745	98	15,624	56	9,633	35	64	80
Texarkana	120.7	0.0501	2.73	61,652	59,868	138	28,314	47	23,801	40	90	84
Non-Metro Portion of State	1,466.9	0.6093	2.73	413,720	404,555	1,533	242,276	60	126,564	31	70	75
State Total	**2,401.6**	**0.9972**	**2.75**	**877,508**	**857,617**	**2,624**	**486,754**	**57**	**286,835**	**33**	**82**	**82**
CALIFORNIA												
Anaheim - Santa Ana	2,124.0	0.8819	2.81	1,824,914	1,754,791	2,974	610,850	35	1,019,100	58	144	102
Bakersfield	475.8	0.1976	2.81	278,631	263,938	554	112,089	42	135,730	51	99	91
Chico	166.7	0.0692	2.47	91,207	83,275	213	29,533	35	46,887	56	77	68
Fresno	578.8	0.2403	2.79	267,519	249,017	730	111,323	45	127,165	51	88	76
Los Angeles - Long Beach	8,091.4	3.3597	2.73	5,531,501	5,252,265	9,562	1,758,275	33	2,972,577	57	121	107
Merced	163.2	0.0678	3.00	68,748	63,098	154	23,035	37	38,246	61	94	88
Modesto	306.1	0.1271	2.84	145,153	138,237	355	66,986	48	62,899	46	82	76
Oakland	1,903.2	0.7903	2.59	1,212,564	1,135,110	2,330	436,547	38	614,992	54	105	95
Oxnard - Ventura	609.0	0.2529	3.04	264,565	253,329	631	90,703	36	149,614	59	87	96
Redding	131.7	0.0547	2.67	61,834	57,022	195	20,223	35	32,106	56	72	69
Riverside - San Bernardino	1,896.4	0.7874	2.77	1,061,835	1,013,009	2,091	448,511	44	518,569	51	99	90
Sacramento	1,266.4	0.5258	2.57	860,188	805,445	1,770	334,992	42	418,693	52	111	86
Salinas - Seaside - Monterey	332.8	0.1382	3.05	211,055	200,791	467	61,674	31	134,352	67	143	110
San Diego	2,140.9	0.8890	2.72	1,469,036	1,380,861	2,619	481,393	35	783,800	57	130	104
San Francisco	1,556.0	0.6461	2.37	2,057,238	1,905,828	2,996	442,782	23	1,199,010	63	180	110

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RGI METRO REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
San Jose	1,393.3	0.5785	2.85	1,055,277	1,008,106	1,772	390,935	39	531,074	53	128	118
Santa Barbara - Santa Maria - Lompoc	330.6	0.1373	2.65	299,161	284,571	513	81,307	29	187,919	66	126	92
Santa Cruz	217.5	0.0903	2.63	140,272	129,714	355	52,783	41	69,528	54	109	65
Santa Rosa - Petaluma	340.4	0.1413	2.53	198,895	182,964	466	69,385	38	102,313	56	93	77
Stockton	406.9	0.1689	2.71	214,417	199,754	489	97,237	49	95,465	48	98	76
Vallejo - Fairfield - Napa	381.4	0.1583	2.81	226,004	209,223	424	85,659	41	115,131	55	101	93
Visalia - Tulare - Porterville	283.3	0.1176	3.06	122,112	113,849	318	59,075	52	50,180	44	72	78
Yuba City	111.1	0.0462	2.72	53,065	48,818	127	17,312	35	27,486	56	84	77
Non-Metro Portion of State	1,138.4	0.4729	2.71	606,863	558,400	1,776	203,972	37	338,636	61	78	69
State Total	**26,345.3**	**10.9393**	**2.71**	**18,322,054**	**17,291,415**	**33,881**	**6,086,581**	**35**	**9,771,472**	**57**	**119**	**98**
COLORADO												
Boulder - Longmont	219.0	0.0910	2.57	167,734	158,358	295	51,500	33	94,053	59	105	94
Colorado Springs	352.9	0.1465	2.69	221,714	204,145	439	87,119	43	90,968	45	117	98
Denver	1,635.1	0.6788	2.49	1,261,876	1,175,346	1,982	356,785	30	661,499	56	117	118
Fort Collins - Loveland	178.4	0.0741	2.63	93,574	85,841	222	27,680	32	48,484	56	93	88
Greeley	138.8	0.0576	2.74	53,221	49,121	142	15,838	32	27,744	56	80	84
Pueblo	125.4	0.0521	2.62	62,240	54,616	172	17,610	32	30,847	56	77	71
Non-Metro Portion of State	620.1	0.2575	2.65	431,345	401,299	1,226	114,640	29	259,410	65	99	80
State Total	**3,269.7**	**1.3576**	**2.57**	**2,291,704**	**2,128,726**	**4,478**	**671,172**	**32**	**1,213,005**	**57**	**109**	**100**
CONNECTICUT												
Bridgeport - Stamford - Norwalk - Danbury	820.2	0.3406	2.80	619,358	589,430	1,050	149,257	25	353,813	60	107	100
Hartford - New Britain - Middletown - Bristol	1,075.4	0.4465	2.73	771,467	710,122	1,361	225,600	32	368,016	52	110	108
New Haven - Waterbury - Meriden	773.5	0.3212	2.72	500,443	465,391	1,060	157,041	34	261,113	56	99	85
New London - Norwich	246.4	0.1023	2.76	168,193	149,839	316	50,960	34	89,047	59	109	100
Non-Metro Portion of State	260.4	0.1081	2.75	117,913	109,415	320	32,729	30	64,429	59	73	86
State Total	**3,175.9**	**1.3187**	**2.75**	**2,177,374**	**2,024,197**	**4,107**	**615,587**	**30**	**1,136,418**	**56**	**104**	**98**
DELAWARE												
Wilmington	542.1	0.2251	[illegible]	274,140	253,677	577	109,615	43	125,893	50	90	115
Non-Metro Portion of State	213.8	0.0887	2.82	119,630	111,960	299	47,658	43	56,466	50	102	70
State Total	**621.4**	**0.2580**	**2.81**	**348,431**	**325,455**	**760**	**138,883**	**43**	**162,041**	**50**	**94**	**98**
DISTRICT OF COLUMBIA												
Washington	3,492.5	1.4504	2.70	2,554,070	2,467,739	3,945	861,778	35	1,188,769	48	121	141
State Total	**621.0**	**0.2579**	**2.45**	**711,749**	**667,892**	**1,085**	**167,882**	**25**	**342,306**	**51**	**265**	**159**
FLORIDA												
Bradenton	177.6	0.0738	2.35	112,351	108,222	195	39,144	36	57,581	53	104	86
Daytona Beach	313.9	0.1303	2.36	204,059	189,264	457	70,130	37	96,956	51	108	99
Fort Lauderdale - Hollywood - Pompano Beach	1,159.1	0.4813	2.36	936,394	867,542	1,565	247,653	29	529,337	61	136	98
Fort Myers - Cape Coral	267.5	0.1111	2.38	154,501	148,480	369	48,546	33	91,666	62	94	80
Fort Pierce	200.9	0.0834	2.48	84,313	81,168	208	33,374	41	41,876	52	69	80
Fort Walton Beach	133.5	0.0554	2.76	91,064	86,602	185	31,328	36	46,079	53	139	97
Gainesville	194.9	0.0809	2.68	120,151	114,751	257	41,844	36	60,944	53	102	92
Jacksonville	817.6	0.3395	2.65	450,969	427,421	1,006	203,778	48	182,021	43	115	110
Lakeland - Winter Haven	363.6	0.1510	2.69	157,311	151,213	363	76,769	51	63,831	42	77	99
Melbourne - Titusville - Palm Bay	344.9	0.1432	2.49	179,102	166,228	416	64,158	39	81,755	49	108	88
Miami - Hialeah	1,771.6	0.7356	2.66	1,106,903	1,048,742	2,141	345,055	33	551,570	53	117	122

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RGI METRO REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
Naples	117.9	0.0489	2.40	95,042	88,308	182	36,318	41	45,560	52	98	91
Ocala	167.3	0.0695	2.56	67,111	64,285	164	23,254	36	34,204	53	71	83
Orlando	864.1	0.3588	2.66	640,045	616,084	1,019	232,355	38	325,987	53	129	171
Panama City	114.7	0.0477	2.64	96,951	90,894	196	32,877	36	48,364	53	188	84
Pensacola	329.4	0.1368	2.74	163,362	149,173	321	73,943	50	55,766	37	96	112
Sarasota	247.6	0.1028	2.19	177,091	170,249	339	42,498	25	114,453	67	115	81
Tallahassee	212.0	0.0880	2.70	121,971	116,408	243	42,338	36	61,860	53	111	113
Tampa - St. Petersburg - Clearwater	1,870.0	0.7765	2.38	1,132,154	1,061,782	2,168	389,610	37	545,029	51	101	103
West Palm Beach - Boca Raton - Delray Beach	730.5	0.3033	2.34	533,508	499,422	897	126,247	25	332,718	67	112	117
Non-Metro Portion of State	1,036.6	0.4304	2.56	387,998	362,081	1,078	149,391	41	187,441	52	68	81
State Total	**11,435.2**	**4.7482**	**2.51**	**7,012,351**	**6,606,319**	**13,769**	**2,350,610**	**36**	**3,554,998**	**54**	**108**	**107**
GEORGIA												
Albany	118.2	0.0490	2.99	61,439	57,699	113	29,606	51	21,832	38	94	117
Athens	139.8	0.0579	2.75	77,221	71,607	163	36,806	51	27,143	38	97	93
Atlanta	2,460.7	1.0220	2.73	1,815,366	1,726,958	2,881	804,486	47	691,709	40	133	127
Augusta	378.7	0.1571	2.84	161,199	154,021	351	83,594	54	46,486	30	92	115
Columbus	242.8	0.1009	2.95	104,577	98,889	233	51,442	52	36,661	37	106	92
Macon - Warner Robins	279.5	0.1160	2.83	129,507	125,366	294	64,700	52	47,195	38	89	107
Savannah	234.1	0.0971	2.78	165,835	155,568	270	79,789	51	58,848	38	130	114
Non-Metro Portion of State	2,190.8	0.9099	2.91	668,989	656,394	1,959	390,918	60	220,647	34	69	102
State Total	**5,990.5**	**2.4874**	**2.82**	**3,163,127**	**3,026,148**	**6,195**	**1,533,930**	**51**	**1,144,110**	**38**	**104**	**115**
HAWAII												
Honolulu	828.2	0.3439	3.23	919,420	855,274	1,137	294,026	34	462,034	54	232	153
Non-Metro Portion of State	243.1	0.1009	3.13	252,204	246,003	406	69,501	28	164,416	67	132	198
State Total	**1,071.3**	**0.4448**	**3.21**	**1,171,624**	**1,101,277**	**1,543**	**363,527**	**33**	**626,450**	**57**	**188**	**165**
IDAHO												
Boise	198.8	0.0826	2.73	125,230	115,625	252	44,241	38	61,756	53	113	98
Non-Metro Portion of State	831.1	0.3451	2.99	306,141	274,882	952	107,176	39	152,001	55	66	83
State Total	**1,029.9**	**0.4277**	**2.93**	**431,371**	**390,507**	**1,204**	**151,417**	**39**	**213,757**	**56**	**75**	**86**
ILLINOIS												
Aurora - Elgin	349.2	0.1451	2.86	154,130	141,730	367	52,634	37	72,116	51	97	100
Bloomington - Normal	125.1	0.0519	2.75	74,310	67,735	171	26,764	40	34,078	50	118	80
Champaign - Urbana - Rantoul	168.8	0.0701	2.74	110,840	99,385	218	39,268	40	50,002	50	135	97
Chicago	6,127.1	2.5441	2.74	3,422,880	3,207,466	6,980	1,130,337	35	1,706,216	53	118	111
Davenport - Rock Island - Moline	389.5	0.1616	2.65	215,824	187,278	493	86,624	46	80,433	43	101	82
Decatur	131.7	0.0547	2.62	59,864	52,668	137	20,811	40	26,497	50	84	106
Joliet	383.6	0.1593	3.05	129,822	118,567	353	48,366	41	60,814	51	95	93
Kankakee	104.1	0.0432	2.81	47,178	44,597	127	17,623	40	22,436	50	100	74
Lake County	472.6	0.1962	3.02	202,607	188,388	521	64,146	34	106,389	56	104	93
Peoria	370.8	0.1539	2.70	163,874	148,627	457	62,629	42	77,223	52	89	92
Rockford	282.0	0.1171	2.70	139,627	125,428	355	50,327	40	65,024	52	91	89
Springfield	195.4	0.0812	2.48	103,068	93,538	255	36,969	40	47,067	50	103	93
Non-Metro Portion of State	2,117.2	0.8791	2.63	735,681	649,458	2,583	327,299	50	279,295	43	73	61
State Total	**11,640.4**	**4.8333**	**2.73**	**5,716,552**	**5,257,805**	**13,390**	**2,043,063**	**39**	**2,674,788**	**51**	**104**	**96**
INDIANA												
Anderson	132.4	0.0550	2.72	62,771	56,598	151	26,643	47	24,117	43	76	86

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RGI METRO REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
Bloomington	101.4	0.0421	2.82	59,392	55,233	124	26,003	47	23,533	43	122	84
Elkhart - Goshen	145.9	0.0605	2.79	80,967	76,554	203	36,037	47	32,620	43	82	79
Evansville	285.4	0.1184	2.65	168,586	156,004	374	79,389	51	62,798	40	96	89
Fort Wayne	357.3	0.1484	2.78	209,598	195,187	474	69,011	35	110,373	57	114	92
Gary - Hammond	643.1	0.2670	2.93	370,435	346,991	723	164,163	47	153,914	44	104	92
Indianapolis	1,208.6	0.5017	2.72	780,037	738,946	1,446	343,357	46	296,588	40	127	105
Kokomo	103.8	0.0431	2.70	62,917	57,192	140	26,926	47	24,366	43	107	84
Lafayette - West Lafayette	122.8	0.0510	2.88	75,973	70,472	143	33,175	47	30,027	43	136	102
Muncie	124.7	0.0518	2.81	80,847	75,598	163	35,590	47	32,212	43	119	81
South Bend - Mishawaka	238.7	0.0992	2.72	144,378	133,456	352	53,483	40	70,686	53	112	78
Terre Haute	134.2	0.0557	2.73	84,945	78,314	168	36,868	47	33,369	43	104	83
Non-Metro Portion of State	1,807.8	0.7507	2.81	661,502	604,160	2,089	303,276	50	242,881	40	77	73
State Total	**5,585.8**	**2.3194**	**2.79**	**2,915,288**	**2,713,599**	**6,720**	**1,269,997**	**47**	**1,161,366**	**43**	**101**	**87**
IOWA												
Cedar Rapids	172.1	0.0714	2.58	83,559	74,782	217	32,388	43	35,654	48	80	91
Davenport - Rock Island - Moline	389.5	0.1616	2.65	215,824	187,278	493	86,624	46	80,433	43	101	82
Des Moines	384.3	0.1596	2.52	209,669	191,397	537	82,960	43	84,812	44	81	86
Dubuque	92.1	0.0382	2.95	43,555	38,450	123	16,653	43	18,331	48	86	75
Iowa City	86.0	0.0357	2.57	45,458	38,582	98	16,711	43	18,394	48	99	116
Sioux City	118.4	0.0492	2.64	53,804	47,432	149	20,452	43	22,840	48	71	78
Waterloo - Cedar Falls	157.8	0.0655	2.73	69,026	59,838	211	25,809	43	28,705	48	83	73
Non-Metro Portion of State	1,695.3	0.7040	2.62	561,529	488,302	2,391	202,861	42	250,116	51	58	59
State Total	**2,942.8**	**1.2219**	**2.62**	**1,196,718**	**1,053,377**	**4,015**	**451,927**	**43**	**507,063**	**48**	**69**	**70**
KANSAS												
Kansas City	1,497.5	0.6216	2.67	874,566	839,015	1,777	377,334	45	381,909	46	101	110
Lawrence	71.7	0.0298	2.82	39,722	36,238	96	18,111	50	14,933	41	109	78
Topeka	160.3	0.0665	2.56	95,055	89,368	238	44,667	50	36,827	41	90	88
Wichita	431.6	0.1792	2.61	224,565	216,727	672	99,759	46	90,824	42	96	78
Non-Metro Portion of State	1,246.2	0.5176	2.65	469,630	445,760	1,820	227,061	51	183,178	41	70	62
State Total	**2,470.5**	**1.0258**	**2.66**	**1,085,019**	**1,037,466**	**3,415**	**516,723**	**50**	**427,783**	**41**	**80**	**75**
KENTUCKY												
Clarksville - Hopkinsville	154.4	0.0641	3.02	64,678	59,848	158	30,123	50	23,790	40	99	81
Huntington - Ashland	339.8	0.1409	2.72	138,951	134,076	313	86,958	65	36,116	27	87	91
Lexington-Fayette	330.7	0.1374	2.67	224,796	217,623	430	110,549	51	85,016	39	130	106
Louisville	971.0	0.4033	2.73	577,323	538,668	1,002	287,041	53	196,430	36	113	112
Owensboro	88.2	0.0366	2.72	59,508	54,539	122	30,458	56	19,130	35	107	84
Non-Metro Portion of State	2,078.1	0.8630	2.85	560,421	548,214	1,766	340,168	62	174,347	32	62	86
State Total	**3,786.2**	**1.5722**	**2.80**	**1,576,486**	**1,504,356**	**3,624**	**839,443**	**56**	**537,686**	**36**	**86**	**97**
LOUISIANA												
Alexandria	143.5	0.0596	2.88	55,047	52,792	131	22,805	43	19,794	37	81	102
Baton Rouge	554.1	0.2300	2.89	288,147	269,121	505	145,511	54	90,759	34	85	120
Houma - Thibodaux	192.1	0.0797	3.05	158,396	152,604	188	60,168	39	38,360	25	139	112
Lafayette	216.6	0.0900	2.87	178,999	166,353	253	71,541	43	61,333	37	130	117
Lake Charles	176.8	0.0735	2.86	76,549	71,229	170	30,770	43	26,705	37	62	103
Monroe	145.5	0.0604	2.85	75,242	71,691	151	30,965	43	26,880	37	103	95
New Orleans	1,348.7	0.5600	2.73	969,760	902,098	1,481	342,495	38	409,298	45	112	120
Shreveport	363.4	0.1508	2.72	188,787	176,760	368	85,741	49	70,828	40	95	101
Non-Metro Portion of State	1,391.9	0.5780	2.98	376,043	352,921	976	140,953	40	90,649	26	57	102
State Total	**4,532.6**	**1.8820**	**2.88**	**2,366,970**	**2,215,568**	**4,223**	**930,948**	**42**	**834,604**	**38**	**92**	**111**

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RGI METRO REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
MAINE												
Bangor	138.9	0.0577	2.88	69,458	67,909	161	25,652	38	36,833	54	80	96
Lewiston - Auburn	100.9	0.0419	2.72	40,786	39,115	123	14,774	38	21,215	54	59	78
Portland	226.8	0.0942	2.63	193,857	185,110	355	60,122	32	112,455	61	95	92
Non-Metro Portion of State	708.8	0.2943	2.73	315,805	309,956	1,038	117,082	38	168,136	54	81	71
State Total	**1,175.4**	**0.4881**	**2.73**	**619,906**	**602,090**	**1,677**	**217,630**	**36**	**338,639**	**56**	**83**	**78**
MARYLAND												
Baltimore	2,291.9	0.9519	2.77	1,341,319	1,199,812	2,290	492,466	41	508,087	42	105	116
Cumberland	105.8	0.0438	2.67	44,681	41,922	135	18,061	43	18,231	43	88	77
Hagerstown	114.1	0.0474	2.82	39,018	32,367	113	13,441	42	14,381	44	64	109
Non-Metro Portion of State	318.2	0.1319	2.77	204,455	193,148	449	74,856	39	107,643	56	112	87
State Total	**4,436.4**	**1.8421**	**2.79**	**2,590,343**	**2,393,102**	**4,517**	**974,179**	**41**	**1,074,131**	**45**	**98**	**115**
MASSACHUSETTS												
Boston - Lawrence - Salem - Lowell - Brockton	3,703.1	1.5377	2.70	3,412,475	3,194,389	4,674	846,318	26	1,831,479	57	148	119
New Bedford - Fall River - Attleboro	492.9	0.2046	2.75	281,003	257,560	555	98,752	38	131,945	51	65	86
Pittsfield	143.1	0.0594	2.62	100,981	92,066	221	26,175	28	58,519	64	88	85
Springfield	586.1	0.2434	2.75	395,988	360,659	695	105,743	29	216,875	60	102	91
Worcester - Fitchburg - Leominster	662.9	0.2752	2.74	399,326	370,677	755	99,007	27	220,509	59	113	95
Non-Metro Portion of State	259.3	0.1076	2.46	325,696	304,950	697	67,849	22	224,078	73	146	65
State Total	**5,847.4**	**2.4279**	**2.70**	**4,915,469**	**4,580,301**	**7,597**	**1,243,844**	**27**	**2,683,405**	**59**	**129**	**106**
MICHIGAN												
Ann Arbor	271.7	0.1128	2.76	169,185	159,119	317	62,032	39	81,380	51	138	126
Battle Creek	138.1	0.0573	2.68	71,576	65,374	180	25,487	39	33,433	51	115	87
Benton Harbor	166.0	0.0689	2.73	72,599	66,388	208	25,883	39	33,952	51	106	75
Detroit	4,361.0	1.8107	2.76	2,377,667	2,186,337	4,623	823,008	38	1,117,808	51	104	101
Flint	440.0	0.1827	2.78	250,645	221,018	449	96,360	44	100,655	46	111	106
Grand Rapids	633.1	0.2628	2.80	338,679	311,282	666	107,305	34	169,448	54	119	113
Jackson	148.0	0.0615	2.88	63,717	57,871	153	22,563	39	29,597	51	107	93
Kalamazoo	216.9	0.0900	2.72	137,676	130,950	275	52,367	40	62,748	48	154	101
Lansing - East Lansing	427.8	0.1777	2.84	229,712	210,317	429	94,721	45	98,685	47	106	113
Muskegon	155.8	0.0647	2.79	69,454	62,581	175	24,397	39	32,006	51	99	87
Saginaw - Bay City - Midland	416.9	0.1730	2.86	226,402	204,519	398	79,514	39	106,082	52	102	105
Non-Metro Portion of State	1,836.6	0.7630	2.82	639,189	554,837	2,232	217,526	39	304,702	55	69	64
State Total	**9,211.9**	**3.8251**	**2.78**	**4,646,501**	**4,230,593**	**10,105**	**1,631,163**	**39**	**2,170,496**	**51**	**101**	**94**
MINNESOTA												
Duluth	258.3	0.1072	2.64	135,877	115,238	358	37,452	32	71,194	62	85	70
Fargo - Moorhead	148.2	0.0616	2.73	89,024	77,272	192	29,888	39	42,686	55	115	95
Minneapolis - St. Paul	2,254.5	0.9360	2.67	1,380,214	1,258,259	2,471	413,736	33	726,353	58	102	128
Rochester	96.6	0.0401	2.71	57,977	54,343	109	18,177	33	31,847	59	89	152
St. Cloud	177.2	0.0736	3.19	74,132	63,604	170	21,325	34	37,364	59	79	88
Non-Metro Portion of State	1,478.6	0.6140	2.78	566,873	500,233	1,960	166,543	33	304,708	61	70	59
State Total	**4,224.3**	**1.7540**	**2.73**	**2,191,748**	**1,974,551**	**5,011**	**649,165**	**33**	**1,162,262**	**59**	**88**	**97**

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RGI METRO REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
MISSISSIPPI												
Biloxi - Gulfport	198.7	0.0825	2.82	123,247	116,236	244	62,081	53	42,104	36	130	100
Jackson	394.3	0.1636	2.83	165,659	163,107	370	82,252	50	60,341	37	92	117
Pascagoula	125.4	0.0521	2.94	48,935	46,414	104	24,789	53	16,812	36	69	125
Non-Metro Portion of State	1,868.0	0.7757	2.90	451,929	439,101	1,479	243,297	55	144,805	33	54	94
State Total	**2,647.3**	**1.0992**	**2.89**	**799,540**	**774,628**	**2,233**	**418,699**	**54**	**266,891**	**34**	**66**	**101**
MISSOURI												
Columbia	108.8	0.0452	2.79	52,337	49,738	125	22,217	45	21,841	44	91	105
Joplin	134.3	0.0558	2.67	64,072	61,363	180	27,412	45	26,948	44	79	68
Kansas City	1,497.5	0.6216	2.67	874,566	839,015	1,777	377,334	45	381,909	46	101	110
St. Joseph	86.7	0.0360	2.70	44,543	41,194	114	18,400	45	18,091	44	71	85
St. Louis	2,416.7	1.0034	2.77	1,347,553	1,248,137	2,601	575,571	46	504,486	40	91	110
Springfield	224.1	0.0930	2.66	123,157	115,520	282	54,201	47	44,877	39	88	96
Non-Metro Portion of State	1,777.0	0.7380	2.78	514,137	485,122	2,118	228,603	47	218,095	45	60	62
State Total	**5,093.8**	**2.1151**	**2.74**	**2,510,812**	**2,372,749**	**6,026**	**1,056,987**	**46**	**1,032,513**	**44**	**86**	**94**
MONTANA												
Billings	122.5	0.0509	2.53	87,399	72,914	190	26,221	36	42,548	58	90	85
Great Falls	80.7	0.0335	2.55	45,510	37,072	129	13,331	36	21,634	58	95	70
Non-Metro Portion of State	533.5	0.2630	2.62	331,939	255,599	1,030	88,637	35	155,348	61	70	66
State Total	**836.7**	**0.3474**	**2.60**	**464,848**	**365,585**	**1,349**	**128,189**	**35**	**219,530**	**60**	**75**	**69**
NEBRASKA												
Lincoln	206.4	0.0857	2.59	120,598	107,777	257	45,291	42	54,819	51	117	99
Omaha	612.4	0.2543	2.68	368,981	327,439	727	137,214	42	166,635	51	103	102
Non-Metro Portion of State	873.1	0.3626	2.67	364,698	307,714	1,268	124,842	41	160,793	52	80	[illegible]
State Total	**1,622.4**	**0.6737**	**2.66**	**820,818**	**713,363**	**2,172**	**293,614**	**41**	**368,551**	**52**	**95**	**79**
NEVADA												
Las Vegas	554.2	0.2301	2.48	418,583	369,335	610	127,867	35	187,927	51	101	665
Reno	217.4	0.0902	2.35	170,229	156,557	290	53,466	34	91,580	58	95	422
Non-Metro Portion of State	169.3	0.0703	2.53	94,858	80,927	222	28,003	35	44,119	55	66	354
State Total	**940.9**	**0.3906**	**2.46**	**683,670**	**606,819**	**1,122**	**209,336**	**34**	**323,626**	**53**	**93**	**541**
NEW HAMPSHIRE												
Manchester - Nashua	301.9	0.1254	2.74	206,717	202,486	388	61,486	30	121,158	60	100	112
Portsmouth - Dover - Rochester	310.5	0.1289	2.76	203,068	196,826	436	56,083	28	123,519	63	91	83
Non-Metro Portion of State	388.3	0.1613	2.66	236,249	232,761	647	66,322	28	146,065	63	75	79
State Total	**1,000.7**	**0.4156**	**2.72**	**646,034**	**632,073**	**1,471**	**183,891**	**29**	**390,742**	**62**	**86**	**89**
NEW JERSEY												
Atlantic City	305.1	0.1266	2.57	320,495	280,561	736	85,220	30	166,140	59	134	400
Bergen - Passaic	1,293.4	0.5371	2.71	909,171	826,595	1,505	214,792	26	466,194	56	100	106
Jersey City	552.9	0.2296	2.60	203,240	163,000	529	54,718	34	87,809	54	54	103
Middlesex - Somerset - Hunterdon	934.3	0.3878	2.86	525,127	446,698	976	133,756	30	254,857	57	75	118
Monmouth - Ocean	946.2	0.3929	2.67	555,951	478,059	1,178	147,848	31	286,799	60	85	78
Newark	1,880.9	0.7811	2.78	1,023,910	891,050	1,926	257,436	29	452,065	51	84	121
Trenton	312.9	0.1300	2.80	189,234	164,942	363	49,392	30	90,089	55	89	113
Vineland - Millville - Bridgeton	138.4	0.0575	2.91	47,605	40,202	136	12,311	31	22,145	55	50	91
State Total	**7,618.9**	**3.1635**	**2.76**	**4,389,237**	**3,834,059**	**8,436**	**1,158,695**	**30**	**2,106,589**	**55**	**87**	**133**

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RGI METRO REPORT

STATE Metro Name	12/31/85			1985								
	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place		Fast Food		Restaurant		RAI	RGI
					Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)		
NEW MEXICO												
Albuquerque	470.2	0.1953	2.64	305,335	288,352	647	116,436	40	136,152	47	114	95
Las Cruces	115.9	0.0482	2.94	52,210	49,090	125	20,855	42	23,262	47	110	83
Santa Fe	103.8	0.0431	2.65	67,317	64,812	167	28,902	45	30,799	48	112	91
Non-Metro Portion of State	785.8	0.3262	2.94	351,088	317,893	941	140,782	44	152,101	48	74	77
State Total	**1,475.7**	**0.6128**	**2.82**	**775,950**	**720,147**	**1,880**	**306,975**	**43**	**342,314**	**48**	**92**	**85**
NEW YORK												
Albany - Schenectady - Troy	861.3	0.3576	2.68	406,264	370,654	1,138	121,011	33	213,918	58	74	86
Binghamton	269.5	0.1119	2.73	127,154	113,042	277	39,817	35	65,401	58	77	110
Buffalo	982.7	0.4080	2.72	557,758	493,075	1,312	169,915	34	250,499	51	86	78
Elmira	95.7	0.0397	2.77	44,693	39,999	95	11,104	28	22,342	56	91	95
Glens Falls	114.7	0.0476	2.87	63,356	58,209	234	16,159	28	32,515	56	81	62
Nassau - Suffolk	2,701.0	1.1215	3.09	1,569,649	1,455,471	3,234	416,632	29	779,839	54	85	88
New York	8,431.8	3.5011	2.52	5,491,809	5,179,071	10,131	1,207,048	23	3,009,716	58	144	107
Niagara Falls	218.6	0.0907	2.73	96,657	86,856	308	31,440	36	41,166	47	76	76
Orange County	279.2	0.1159	3.03	101,299	93,311	329	32,968	35	51,640	55	57	75
Poughkeepsie	258.8	0.1075	2.95	108,760	99,346	296	27,583	28	55,492	56	68	97
Rochester	1,001.1	0.4158	2.73	560,592	516,048	1,186	164,086	32	286,041	55	99	98
Syracuse	663.5	0.2755	2.79	334,914	297,693	772	96,141	32	166,501	56	80	97
Utica - Rome	323.1	0.1342	2.79	134,772	124,523	408	40,863	33	66,212	53	74	72
Non-Metro Portion of State	1,765.2	0.7330	2.85	704,765	621,687	2,137	227,949	37	329,716	53	76	85
State Total	**17,966.2**	**7.4600**	**2.69**	**10,302,442**	**9,548,985**	**21,857**	**2,602,716**	**27**	**5,370,998**	**56**	**107**	**96**
NORTH CAROLINA												
Asheville	168.0	0.0697	2.54	103,558	100,582	213	52,914	53	38,215	38	103	104
Burlington	100.5	0.0417	2.63	61,140	60,542	119	31,847	53	23,001	38	95	98
Charlotte - Gastonia - Rock Hill	1,049.0	0.4357	2.71	536,856	524,006	1,180	281,792	54	194,523	37	81	108
Fayetteville	263.7	0.1095	3.14	119,972	114,248	264	60,100	53	43,407	38	102	94
Greensboro - Winston-Salem - High Point	902.1	0.3745	2.64	506,459	497,357	1,056	236,493	48	184,330	37	108	100
Hickory	217.2	0.0902	2.73	100,584	99,541	242	53,084	53	37,795	38	86	103
Jacksonville	121.4	0.0504	3.49	49,003	42,643	119	22,432	53	16,202	38	91	72
Raleigh - Durham	632.9	0.2628	2.66	372,928	363,297	771	176,591	49	142,605	39	106	114
Wilmington	113.3	0.0470	2.62	79,308	77,230	189	40,627	53	29,342	38	112	74
Non-Metro Portion of State	2,856.0	1.1859	2.78	999,122	983,098	2,947	546,330	56	373,052	38	73	87
State Total	**6,304.9**	**2.6179**	**2.74**	**2,871,549**	**2,806,662**	**6,997**	**1,473,501**	**53**	**1,061,856**	**38**	**87**	**96**
NORTH DAKOTA												
Bismarck	91.7	0.0381	2.83	48,104	44,048	101	17,906	41	23,772	54	108	135
Fargo - Moorhead	148.2	0.0616	2.73	89,024	77,272	192	29,888	39	42,686	55	115	95
Grand Forks	70.5	0.0292	2.97	29,544	24,831	81	10,095	41	13,402	54	98	105
Non-Metro Portion of State	438.9	0.1823	2.84	164,952	130,415	602	48,426	37	74,085	57	69	65
State Total	**699.9**	**0.2906**	**2.83**	**305,831**	**255,396**	**912**	**99,233**	**39**	**141,538**	**55**	**87**	**82**
OHIO												
Akron	648.4	0.2692	2.69	369,483	343,134	735	132,619	39	188,878	55	99	95
Canton	409.5	0.1700	2.76	206,941	191,469	498	81,021	42	100,329	52	87	81
Cincinnati	1,405.7	0.5838	2.69	895,989	820,859	1,655	333,954	41	398,248	49	111	105
Cleveland	1,873.4	0.7779	2.62	1,137,990	1,042,307	2,088	397,220	38	538,078	52	98	101
Columbus	1,288.9	0.5353	2.64	810,818	754,210	1,590	359,389	48	325,417	43	111	101
Dayton - Springfield	927.5	0.3851	2.63	517,758	479,447	1,094	235,138	49	196,036	41	101	97
Hamilton - Middletown	273.6	0.1136	2.83	119,471	109,015	256	48,218	44	50,639	46	88	96
Lima	157.4	0.0655	2.79	83,495	78,236	210	34,604	44	36,339	46	102	79
Lorain - Elyria	273.8	0.1137	2.87	107,194	94,243	252	41,682	44	43,776	46	71	102

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RGI METRO REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
Mansfield	130.9	0.0544	2.70	65,213	59,640	167	26,378	44	27,703	46	97	80
Parkersburg - Marietta	159.0	0.0660	2.69	75,311	68,918	176	34,682	50	27,924	41	91	89
Steubenville - Weirton	156.5	0.0650	2.69	57,722	51,271	184	25,522	50	21,045	41	64	76
Toledo	617.9	0.2566	2.69	439,960	404,717	750	153,052	38	208,722	52	107	93
Youngstown - Warren	516.2	0.2143	2.71	244,167	220,134	573	104,033	47	95,932	44	89	83
Non-Metro Portion of State	2,321.0	0.9635	2.79	796,607	744,839	2,652	345,492	46	313,969	42	75	72
State Total	**10,836.0**	**4.4994**	**2.70**	**5,731,934**	**5,278,643**	**12,505**	**2,264,402**	**43**	**2,495,816**	**47**	**96**	**91**
OKLAHOMA												
Enid	65.8	0.0273	2.57	42,791	40,822	104	19,989	49	15,315	38	101	68
Lawton	117.1	0.0487	3.07	63,422	59,943	122	29,352	49	22,489	38	101	90
Oklahoma City	984.4	0.4089	2.61	823,628	797,906	1,446	369,227	46	314,040	39	134	86
Tulsa	745.3	0.3095	2.61	460,789	447,864	955	222,195	50	161,542	36	111	92
Non-Metro Portion of State	1,407.8	0.5843	2.66	517,783	507,657	1,658	257,603	51	189,516	37	71	68
State Total	**3,356.0**	**1.3935**	**2.64**	**1,913,125**	**1,858,834**	**4,317**	**900,640**	**48**	**704,643**	**38**	**102**	**80**
OREGON												
Eugene - Springfield	267.9	0.1112	2.57	146,782	136,173	383	61,202	45	66,104	49	109	75
Medford	139.3	0.0578	2.65	64,339	59,176	200	21,747	37	32,743	55	103	63
Portland	1,149.3	0.4770	2.55	780,655	712,303	1,600	237,864	33	410,749	58	132	94
Salem	257.0	0.1068	2.72	123,224	113,422	346	46,777	41	55,020	49	116	61
Non-Metro Portion of State	895.7	0.3721	2.68	447,421	412,883	1,489	157,960	38	230,394	56	94	56
State Total	**2,709.2**	**1.1249**	**2.61**	**1,562,421**	**1,433,957**	**4,018**	**525,550**	**37**	**795,010**	**55**	**114**	**74**
PENNSYLVANIA												
Allentown - Bethlehem	656.8	0.2727	2.63	321,751	297,938	732	105,611	35	147,350	49	89	95
Altoona	136.0	0.0565	2.67	51,294	46,619	141	17,137	37	23,649	51	65	86
Beaver County	199.9	0.0830	2.72	61,015	50,600	151	22,468	44	24,465	48	50	119
Erie	285.3	0.1184	2.76	135,421	121,029	291	52,790	44	57,104	47	88	102
Harrisburg - Lebanon - Carlisle	578.8	0.2404	2.62	310,936	281,819	656	109,446	39	140,648	50	80	115
Johnstown	262.6	0.1091	2.74	70,008	60,860	244	28,489	47	28,964	48	56	80
Lancaster	386.6	0.1606	2.79	202,749	187,547	411	62,416	33	115,715	62	89	116
Philadelphia	4,807.8	1.9962	2.74	2,634,142	2,339,525	4,689	811,508	35	1,168,285	50	97	115
Pittsburgh	2,180.6	0.9054	2.58	1,163,278	1,039,010	2,289	353,354	34	548,768	53	97	100
Reading	323.4	0.1343	2.60	174,013	159,945	407	59,847	37	90,220	56	97	85
Scranton - Wilkes-Barre	735.6	0.3054	2.64	334,122	308,628	901	112,627	36	149,736	49	86	91
Sharon	128.6	0.0534	2.74	52,543	46,555	145	17,116	37	23,617	51	85	72
State College	115.8	0.0480	2.97	59,688	57,198	130	21,026	37	29,017	51	118	82
Williamsport	119.3	0.0495	2.71	45,795	39,187	135	14,406	37	19,880	51	62	86
York	401.1	0.1666	2.68	162,676	148,433	425	58,102	39	74,667	50	84	101
Non-Metro Portion of State	1,880.4	0.7808	2.73	597,971	534,825	1,863	213,746	40	247,020	46	70	70
State Total	**12,012.0**	**4.9877**	**2.67**	**5,783,200**	**5,194,029**	**12,573**	**1,864,767**	**36**	**2,617,342**	**50**	**89**	**99**
RHODE ISLAND												
Providence - Pawtucket - Woonsocket	885.2	0.3676	2.74	501,621	457,754	1,176	144,237	32	266,557	58	96	82
Non-Metro Portion of State	84.3	0.0350	2.83	94,052	87,853	154	23,685	27	55,438	63	228	81
State Total	**969.5**	**0.4026**	**2.75**	**595,673**	**545,607**	**1,330**	**167,922**	**31**	**321,995**	**59**	**106**	**82**
SOUTH CAROLINA												
Anderson	145.3	0.0603	2.69	51,068	50,889	157	26,145	51	18,776	37	74	86
Charleston	490.2	0.2036	2.96	252,453	242,088	435	118,191	49	82,272	34	102	131
Charlotte - Gastonia - Rock Hill	1,049.0	0.4357	2.71	536,856	524,006	1,180	281,792	54	194,523	37	81	108

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	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
Columbia	443.2	0.1841	2.81	234,950	229,410	465	120,763	53	79,681	35	120	111
Florence	118.3	0.0491	2.87	47,810	47,281	126	24,293	51	17,441	37	78	109
Greenville - Spartanburg	609.1	0.2528	2.69	290,731	284,608	719	159,365	56	96,125	34	88	92
Non-Metro Portion of State	1,356.0	0.5631	2.88	538,310	519,062	1,335	232,991	45	226,474	44	82	110
State Total	**3,396.3**	**1.4102**	**2.83**	**1,507,114**	**1,463,198**	**3,434**	**728,763**	**50**	**551,347**	**38**	**89**	**108**
SOUTH DAKOTA												
Rapid City	76.3	0.0317	2.66	51,128	47,409	134	15,557	33	28,367	60	102	80
Sioux Falls	122.2	0.0508	2.58	70,148	61,447	146	21,356	35	35,941	58	100	111
Non-Metro Portion of State	520.8	0.2162	2.77	191,638	159,612	753	53,113	33	96,718	61	74	59
State Total	**719.3**	**0.2987**	**2.72**	**312,914**	**268,468**	**1,033**	**90,026**	**34**	**161,026**	**60**	**83**	**69**
TENNESSEE												
Chattanooga	433.7	0.1800	2.70	199,775	195,408	478	98,346	50	81,793	42	76	95
Clarksville - Hopkinsville	154.4	0.0641	3.02	64,678	59,848	158	30,123	50	23,790	40	99	81
Jackson	77.1	0.0320	2.67	44,751	43,010	88	21,290	50	18,332	43	103	104
Johnson City - Kingsport - Bristol	449.0	0.1863	2.70	179,654	176,559	411	104,970	59	50,315	28	78	99
Knoxville	599.0	0.2488	2.61	454,722	439,980	710	201,683	46	192,691	44	117	117
Memphis	932.8	0.3872	2.81	472,153	459,171	978	235,505	51	165,118	36	90	114
Nashville	910.7	0.3781	2.70	535,594	522,969	1,034	212,529	41	255,795	49	111	116
Non-Metro Portion of State	1,617.3	0.6718	2.75	404,460	394,125	1,399	196,229	50	168,871	43	58	91
State Total	**4,793.2**	**1.9902**	**2.72**	**2,247,416**	**2,184,400**	**4,952**	**1,036,140**	**47**	**925,218**	**42**	**90**	**105**
TEXAS												
Abilene	121.1	0.0503	2.81	98,349	92,882	160	40,752	44	38,710	42	113	85
Amarillo	196.6	0.0816	2.64	140,796	131,578	298	57,728	44	54,835	42	114	82
Austin	690.1	0.2866	2.63	518,333	473,584	984	203,705	43	211,711	45	127	99
Beaumont - Port Arthur	394.7	0.1639	2.81	206,039	188,030	394	82,040	44	79,834	42	85	106
Brazoria	204.6	0.0850	3.07	69,803	66,654	191	35,630	53	23,568	35	56	113
Brownsville - Harlingen	242.5	0.1007	3.51	123,976	115,589	266	50,714	44	48,172	42	82	80
Bryan - College Station	112.7	0.0468	2.78	89,311	81,619	158	35,812	44	34,015	42	113	69
Corpus Christi	363.4	0.1509	3.05	231,594	206,919	479	96,123	46	87,100	42	91	86
Dallas	2,296.0	0.9532	2.68	1,816,924	1,709,660	2,779	689,849	40	748,231	44	128	136
El Paso	545.5	0.2265	3.36	261,016	229,071	523	104,462	46	89,069	39	107	100
Fort Worth - Arlington	1,175.5	0.4880	2.72	780,059	728,126	1,378	332,348	46	288,533	40	103	108
Galveston - Texas City	218.1	0.0905	2.77	139,879	132,921	252	58,320	44	55,394	42	89	103
Houston	3,211.0	1.3332	2.75	2,327,638	2,162,103	3,586	839,995	39	984,649	46	111	130
Killeen - Temple	234.0	0.0972	3.12	114,500	112,355	232	49,297	44	46,823	42	109	83
Laredo	118.5	0.0492	3.77	62,065	60,539	98	26,562	44	25,228	42	66	103
Longview - Marshall	171.5	0.0712	2.77	113,086	107,292	237	47,073	44	44,715	42	92	76
Lubbock	221.6	0.0920	2.82	151,704	141,252	306	62,083	44	55,553	39	115	85
McAllen - Edinburg - Mission	345.9	0.1436	3.67	124,128	116,473	276	48,185	41	41,069	35	78	83
Midland	112.3	0.0466	2.74	96,751	88,803	144	38,964	44	37,009	42	94	94
Odessa	140.1	0.0582	2.76	143,794	128,296	176	56,288	44	53,469	42	114	91
San Angelo	96.4	0.0400	2.75	69,356	65,488	127	28,733	44	27,294	42	106	75
San Antonio	1,209.2	0.5020	2.98	788,066	727,990	1,443	308,056	42	286,940	39	112	101
Sherman - Denison	96.5	0.0400	2.61	46,649	45,240	113	19,850	44	18,853	42	93	75
Texarkana	120.7	0.0501	2.73	61,652	59,868	138	28,314	47	23,801	40	90	84
Tyler	151.9	0.0630	2.74	73,626	73,445	160	32,225	44	30,608	42	99	85

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RGI METRO REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
STATE Metro Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
Victoria	77.7	0.0323	2.93	47,452	41,637	99	18,269	44	17,352	42	82	74
Waco	187.7	0.0779	2.72	110,133	102,227	230	44,851	44	42,605	42	96	85
Wichita Falls	124.8	0.0519	2.76	81,010	76,226	176	33,444	44	31,767	42	113	81
Non-Metro Portion of State	3,267.4	1.3572	2.82	1,056,226	1,017,737	3,602	538,425	53	406,132	40	62	62
State Total	**16,408.7**	**6.8133**	**2.82**	**9,925,958**	**9,267,154**	**18,961**	**3,998,833**	**43**	**3,927,330**	**42**	**100**	**101**
UTAH												
Provo - Orem	255.9	0.1062	3.72	55,976	54,583	196	24,843	46	26,036	48	63	94
Salt Lake City - Ogden	1,044.2	0.4337	3.10	409,249	395,643	986	180,890	46	182,373	46	80	116
Non-Metro Portion of State	398.7	0.1655	3.32	132,074	126,323	462	50,863	40	71,853	57	67	83
State Total	**1,698.8**	**0.7054**	**3.24**	**597,299**	**576,549**	**1,644**	**256,596**	**45**	**280,262**	**49**	**75**	**104**
VERMONT												
Burlington	127.8	0.0530	2.81	98,046	93,066	182	25,270	27	57,603	62	111	106
Non-Metro Portion of State	410.0	0.1703	2.69	236,492	217,344	674	59,225	27	134,940	62	83	76
State Total	**537.8**	**0.2233**	**2.71**	**334,538**	**310,410**	**856**	**84,495**	**27**	**192,543**	**62**	**90**	**83**
VIRGINIA												
Charlottesville	121.6	0.0506	2.67	63,908	62,420	153	28,162	45	26,989	43	82	104
Danville	112.8	0.0469	2.80	40,563	39,986	122	18,026	45	17,283	43	78	90
Lynchburg	145.3	0.0603	2.94	68,805	68,035	177	30,678	45	29,404	43	86	92
Norfolk - Virginia Beach - Newport News	1,288.4	0.5348	2.98	690,893	673,154	1,533	301,713	45	310,652	46	115	103
Richmond - Petersburg	813.0	0.3377	2.80	411,960	405,173	1,039	196,826	49	166,624	41	87	97
Roanoke	226.6	0.0942	2.68	126,583	123,033	294	55,525	45	53,233	43	94	98
Non-Metro Portion of State	1,680.5	0.6975	2.94	514,887	508,298	1,628	256,031	50	183,124	36	64	100
State Total	**5,785.0**	**2.4021**	**2.85**	**2,849,813**	**2,803,152**	**6,415**	**1,231,191**	**44**	**1,226,914**	**44**	**93**	**109**
WASHINGTON												
Bellingham	114.9	0.0477	2.61	74,431	67,610	197	22,848	34	39,174	58	108	60
Bremerton	170.4	0.0708	2.74	76,380	66,065	130	22,327	34	38,280	58	94	108
Olympia	143.1	0.0594	2.58	78,749	73,411	182	24,810	34	42,535	58	91	76
Richland - Kennewick - Pasco	143.9	0.0598	2.81	69,307	61,692	180	20,850	34	35,744	58	77	96
Seattle	1,719.7	0.7140	2.51	1,340,276	1,254,361	2,370	381,979	30	720,272	57	127	103
Spokane	357.9	0.1486	2.56	212,006	197,763	437	76,872	39	106,556	54	103	88
Tacoma	521.9	0.2167	2.65	279,566	256,386	526	95,256	37	148,111	58	109	86
Vancouver	211.7	0.0879	2.69	97,066	85,766	221	35,385	41	46,395	54	100	87
Yakima	181.7	0.0754	2.71	83,057	75,054	226	25,364	34	43,489	58	81	72
Non-Metro Portion of State	851.5	0.3536	2.60	412,553	366,490	1,225	128,234	35	229,865	63	77	65
State Total	**4,416.7**	**1.8339**	**2.58**	**2,723,391**	**2,504,598**	**5,694**	**833,925**	**33**	**1,450,421**	**58**	**106**	**88**
WEST VIRGINIA												
Charleston	268.7	0.1116	2.55	114,672	110,406	290	59,818	54	40,587	37	74	97
Huntington - Ashland	339.8	0.1409	2.72	138,951	134,076	313	86,958	65	36,116	27	87	91
Parkersburg - Marietta	159.0	0.0660	2.69	75,311	68,918	176	34,682	50	27,924	41	91	89
Steubenville - Weirton	156.5	0.0650	2.69	57,722	51,271	184	25,522	50	21,045	41	64	76
Wheeling	181.9	0.0756	2.61	77,419	69,765	178	34,696	50	28,666	41	73	88
Non-Metro Portion of State	1,256.5	0.5217	2.75	319,998	307,971	1,069	172,687	56	111,282	36	54	91
State Total	**1,967.9**	**0.8171**	**2.69**	**646,292**	**616,468**	**1,835**	**349,143**	**57**	**215,960**	**35**	**66**	**91**
WISCONSIN												
Appleton - Oshkosh - Neenah	300.8	0.1249	2.76	144,883	122,197	361	46,599	38	63,446	52	102	96

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RGI METRO REPORT

REGION State	12/31/85 Population (Thous.)	12/31/85 % Of U.S.	12/31/85 Average House-hold Size	1985 Eating & Drinking Place Sales ($000)	1985 Eating Place Sales ($000)	1985 Eating Place Units	1985 Fast Food Sales ($000)	1985 Fast Food Market Share (%)	1985 Restaurant Sales ($000)	1985 Restaurant Market Share (%)	RAI	RGI
Eau Claire	137.8	0.0572	2.80	70,777	57,620	156	19,913	35	33,996	59	105	86
Green Bay	183.2	0.0760	2.73	109,194	94,950	245	32,737	34	55,900	59	148	89
Janesville - Beloit	139.5	0.0579	2.70	72,874	59,509	181	20,516	34	35,035	59	90	75
Kenosha	122.5	0.0509	2.78	67,371	54,283	131	18,717	34	31,955	59	81	89
La Crosse	93.6	0.0389	2.71	59,076	49,492	141	17,063	34	29,138	59	110	89
Madison	336.7	0.1398	2.54	254,205	218,667	450	79,079	36	130,837	60	139	107
Milwaukee	1,401.0	0.5818	2.65	792,842	687,936	1,628	242,825	35	388,339	56	103	101
Racine	174.2	0.0723	2.77	77,189	66,758	209	23,017	34	39,301	59	84	82
Sheboygan	101.6	0.0421	2.74	41,730	34,902	121	12,035	34	20,546	59	85	85
Wausau	114.9	0.0477	2.80	36,649	31,672	124	10,920	34	18,644	59	71	82
Non-Metro Portion of State	1,621.9	0.6736	2.75	707,723	579,170	2,287	168,017	29	382,282	66	87	63
State Total	**4,818.0**	**2.0006**	**2.71**	**2,483,631**	**2,095,452**	**6,155**	**706,588**	**34**	**1,251,030**	**60**	**100**	**83**
WYOMING												
Casper	76.4	0.0317	2.65	46,188	41,343	97	16,502	40	21,810	53	80	122
Cheyenne	73.6	0.0306	2.59	47,753	43,645	99	16,846	39	22,820	52	122	104
Non-Metro Portion of State	366.4	0.1521	2.77	248,044	204,080	530	79,691	39	107,925	53	82	104
State Total	**516.4**	**0.2144**	**2.73**	**341,985**	**289,068**	**726**	**113,039**	**39**	**152,555**	**53**	**86**	**106**
United States Total	**240,833.5**	**100.0000**	**2.72**	**134,212,509**	**124,787,468**	**282,595**	**47,923,392**	**38**	**62,453,155**	**50**	**100**	**100**

SALES BY AREA OF DOMINANT INFLUENCE (ADI)

Covers 214 major Areas of Dominant Influence for a TV signal.

ADI Name	12/31/85 Population (Thous.)	12/31/85 % Of U.S.	12/31/85 Average House-hold Size	1985 Eating & Drinking Place Sales ($000)	1985 Eating Place Sales ($000)	1985 Eating Place Units	1985 Fast Food Sales ($000)	1985 Fast Food Market Share (%)	1985 Restaurant Sales ($000)	1985 Restaurant Market Share (%)	RAI	RGI
Abilene - Sweetwater	313.8	0.1302	2.70	169,953	161,102	406	76,299	47	66,101	41	87	65
Albany, Ga	396.2	0.1646	2.95	140,908	136,434	356	76,542	56	48,286	35	74	102
Albany - Schenectady - Troy	1,314.3	0.5457	2.70	641,607	586,204	1,832	184,877	32	341,856	58	75	81
Albuquerque	1,123.0	0.4666	2.83	582,621	542,819	1,471	224,832	41	262,443	48	94	85
Alexandria, La	267.6	0.1111	2.99	81,679	77,106	190	32,415	42	25,963	34	76	107
Alexandria, Minn	167.1	0.0693	2.79	55,934	51,663	221	17,192	33	31,468	61	65	58
Alpena	31.5	0.0131	2.76	10,124	8,129	28	3,136	39	4,574	56	52	99
Amarillo	480.7	0.1996	2.72	251,833	238,104	651	112,339	47	98,734	41	86	73
Ardmore - Ada	188.9	0.0784	2.65	67,888	66,437	211	33,730	51	24,804	37	78	70
Atlanta	3,314.4	1.3763	2.75	2,118,849	2,022,396	3,730	974,889	48	793,880	39	121	120
Augusta	624.6	0.2594	2.89	200,496	193,318	514	105,632	55	61,079	32	71	110
Austin, Tex	844.2	0.3505	2.64	594,777	545,494	1,201	241,654	44	240,357	44	118	90
Bakersfield	475.8	0.1976	2.81	278,631	263,938	554	112,089	42	135,730	51	99	91
Baltimore	2,457.7	1.0206	2.77	1,411,160	1,264,986	2,476	519,333	41	543,222	43	103	114
Bangor	348.8	0.1448	2.77	156,312	153,619	491	58,038	38	83,339	54	74	70
Baton Rouge	768.0	0.3188	2.99	368,789	342,987	647	175,087	51	109,560	32	83	123
Beaumont - Port Arthur	475.6	0.1973	2.79	218,818	200,809	456	88,871	44	84,984	42	79	102
Bend	69.2	0.0287	2.68	34,589	32,580	123	12,449	38	18,159	56	94	59
Billings - Hardin	230.4	0.0958	2.58	140,093	113,487	340	40,792	36	66,543	59	78	86
Biloxi - Gulfport - Pascagoula	179.4	0.0746	2.83	117,112	111,073	222	59,374	53	40,266	36	144	103

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ADI REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
ADI Name	Population (Thous.)	% Of U.S.	Average House-hold Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
Binghamton	435.3	0.1807	2.76	174,091	154,832	438	55,517	36	86,683	56	68	100
Birmingham	1,500.4	0.6229	2.71	489,964	475,395	1,286	261,017	55	155,137	33	74	101
Bluefield - Beckley - Oak Hill	410.2	0.1704	2.78	107,714	105,845	332	58,369	55	38,046	36	51	99
Boise	436.5	0.1812	2.82	220,916	201,324	562	77,505	38	109,257	54	90	88
Boston	5,519.4	2.2920	2.70	4,705,503	4,424,345	7,346	1,174,470	27	2,617,593	59	134	107
Bowling Green	105.9	0.0440	2.79	57,926	55,108	129	34,082	62	17,463	32	105	82
Bristol - Kingsport - Johnson City	805.1	0.3343	2.79	256,020	251,283	671	143,409	57	78,678	31	68	103
Buffalo	1,707.0	0.7086	2.76	848,981	750,295	2,196	264,250	35	381,002	51	82	77
Burlington - Plattsburgh	695.1	0.2884	2.79	385,743	356,163	1,022	103,359	29	215,862	61	80	83
Butte	129.9	0.0538	2.64	74,151	56,929	230	19,714	35	34,553	61	81	68
Casper - Riverton	155.8	0.0646	2.75	90,721	78,130	214	30,962	40	41,383	53	76	99
Cedar Rapids - Waterloo - Dubuque	888.2	0.3685	2.71	357,046	308,113	1,174	129,749	42	153,066	50	77	71
Charleston, S.C.	612.5	0.2544	2.96	302,015	291,530	548	140,333	48	103,804	36	98	124
Charleston - Huntington	1,443.3	0.5992	2.77	461,620	441,376	1,278	249,624	57	152,730	35	68	88
Charlotte	1,802.0	0.7484	2.73	818,227	801,653	1,958	430,781	54	301,441	38	78	103
Charlottesville	101.7	0.0422	2.63	62,953	61,465	146	27,713	45	26,565	43	87	100
Chattanooga	828.8	0.3440	2.75	319,076	313,553	829	163,127	52	126,647	40	68	98
Cheyenne - Scottsbluff	119.6	0.0496	2.62	67,967	61,996	162	24,212	39	32,316	52	97	88
Chicago	8,613.3	3.5766	2.79	4,554,233	4,242,913	9,736	1,567,164	37	2,212,031	52	112	104
Chico - Redding	389.8	0.1619	2.57	197,256	184,512	542	65,934	36	105,856	57	76	66
Cincinnati	1,961.7	0.8147	2.73	1,078,857	988,631	2,161	413,868	42	470,993	48	101	100
Clarksburg - Weston	230.1	0.0956	2.70	68,344	65,783	231	36,951	56	23,800	36	67	78
Cleveland	3,842.1	1.5953	2.69	2,081,787	1,910,589	4,317	762,849	40	973,115	51	93	94
Colorado Springs - Pueblo	577.0	0.2395	2.67	315,642	288,047	738	113,184	39	140,911	49	99	86
Columbia, S.C.	782.2	0.3249	2.86	324,008	317,275	731	160,268	51	118,080	37	102	109
Columbia - Jefferson City	425.6	0.1769	2.83	167,727	159,153	498	73,674	46	70,941	45	77	83
Columbus, Ga.	499.3	0.2074	2.88	174,022	167,234	415	93,746	56	57,678	34	87	104
Columbus - Tupelo	444.9	0.1849	2.86	90,290	87,082	358	48,652	56	28,698	33	45	93
Columbus, Ohio	1,743.1	0.7240	2.67	951,373	888,305	2,070	422,271	48	381,127	43	103	95
Corpus Christi	532.2	0.2211	3.06	306,694	279,140	699	134,301	48	115,922	42	83	78
Dallas - Ft. Worth	4,221.4	1.7527	2.69	2,848,957	2,681,697	4,947	1,147,825	43	1,134,391	42	112	117
Davenport - Rock Island - Moline	879.6	0.3652	2.66	387,038	337,468	1,132	156,175	46	150,424	45	85	72
Dayton	1,366.8	0.5675	2.68	668,136	622,352	1,622	304,365	49	254,499	41	94	88
Denver	2,599.6	1.0791	2.54	1,940,459	1,797,919	3,564	554,398	31	1,035,349	58	112	104
Des Moines	979.1	0.4064	2.57	423,372	381,189	1,333	161,790	42	181,894	48	69	75
Detroit	4,674.1	1.9407	2.76	2,554,569	2,352,243	4,975	887,650	38	1,203,002	51	105	102
Dothan	272.5	0.1132	2.78	81,692	80,165	232	48,799	61	25,437	32	67	95
Duluth - Superior	467.0	0.1940	2.67	216,204	181,654	697	58,985	32	112,962	62	77	62
El Centro - Yuma	190.2	0.0789	3.09	86,579	78,512	257	29,123	37	45,320	58	66	69
El Paso	684.7	0.2843	3.27	319,650	283,669	673	128,053	45	114,771	40	104	96
Elmira	241.0	0.1000	2.78	94,650	84,805	265	27,882	33	45,429	54	84	83
Erie	427.7	0.1776	2.75	191,989	169,932	455	72,272	43	79,626	47	86	88
Eugene	426.2	0.1769	2.62	211,714	196,050	649	84,078	43	99,481	51	98	65
Eureka	133.4	0.0554	2.53	77,764	71,530	241	26,112	37	43,355	61	71	64
Evansville	722.0	0.2997	2.71	326,335	302,161	828	160,206	53	116,402	39	77	86
Fargo	599.8	0.2493	2.79	249,429	211,792	798	78,622	37	120,806	57	84	69
Farmington	100.6	0.0417	3.10	43,037	40,284	103	17,960	45	19,139	48	77	90
Flagstaff	88.1	0.0366	3.14	73,781	69,062	142	25,927	38	38,323	55	148	130
Flint - Saginaw - Bay City	1,240.3	0.5149	2.83	605,026	537,011	1,265	221,977	41	266,451	50	96	92
Florence, S.C.	411.1	0.1707	2.85	259,137	244,884	584	112,817	46	103,480	42	109	103

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ADI REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
ADI Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RGI
Ft. Myers - Naples	495.3	0.2056	2.38	290,988	276,074	654	101,042	37	157,517	57	88	82
Ft. Smith	391.8	0.1625	2.72	156,442	153,160	483	85,931	56	53,097	35	98	71
Ft. Wayne	627.1	0.2603	2.80	301,088	278,949	770	107,185	38	149,168	53	100	85
Fresno - Visalia	1,196.9	0.4970	2.91	524,073	486,641	1,384	215,602	44	252,398	52	83	80
Gainesville	212.9	0.0885	2.65	122,899	116,438	288	42,616	37	61,902	53	100	84
Glendive	14.3	0.0059	2.60	8,315	7,204	22	2,483	34	4,351	60	73	99
Grand Junction	183.6	0.0763	2.67	104,535	97,644	268	27,847	29	62,960	64	82	101
Grand Rapids - Kalamazoo - Battle Creek	1,648.9	0.6847	2.80	755,794	690,820	1,801	257,028	37	361,998	52	104	94
Great Falls	178.3	0.0741	2.60	88,025	68,501	284	24,327	36	40,905	60	73	66
Green Bay	999.3	0.4149	2.74	453,811	385,729	1,302	130,866	34	227,752	59	98	77
Greensboro - Winston-Salem - High Point	1,341.9	0.5572	2.67	662,561	651,143	1,469	319,667	49	242,569	37	97	100
Greenville - New Bern - Washington	658.5	0.2736	2.90	240,199	228,889	640	126,083	55	86,896	38	77	87
Greenville - Spartanburg - Asheville	1,629.8	0.6763	2.68	675,272	661,685	1,796	357,200	54	241,820	37	80	92
Greenwood - Greenville	257.1	0.1068	3.11	61,303	61,015	212	33,606	55	19,988	33	59	84
Hagerstown	114.1	0.0474	2.82	39,018	32,367	113	13,441	42	14,381	44	64	109
Harrisburg - York - Lancaster - Lebanon	1,434.6	0.5959	2.69	694,291	634,142	1,563	236,489	37	338,569	53	83	109
Harrisonburg	99.7	0.0413	2.96	43,154	41,104	112	20,543	50	14,590	35	81	96
Hartford - New Haven	2,259.2	0.9381	2.73	1,514,236	1,393,456	2,943	453,973	33	758,278	54	103	97
Helena	47.5	0.0198	2.51	31,050	23,892	81	8,230	34	14,424	60	74	73
Houston	3,970.9	1.6489	2.77	2,659,334	2,476,487	4,414	994,556	40	1,109,367	45	104	122
Huntsville - Decatur - Florence	715.1	0.2971	2.70	255,127	247,981	647	140,078	56	84,204	34	86	102
Idaho Falls - Pocatello	323.7	0.1344	3.15	119,408	110,076	347	42,977	39	60,709	55	70	87
Indianapolis	2,273.9	0.9440	2.75	1,275,570	1,194,436	2,736	566,080	47	482,460	40	111	92
Jackson, Miss.	807.5	0.3351	2.87	261,491	255,186	655	133,369	52	90,738	36	72	115
Jackson, Tenn.	123.1	0.0511	2.68	54,845	52,772	136	26,125	50	22,491	43	98	91
Jacksonville	1,143.5	0.4749	2.71	572,834	541,620	1,317	262,405	48	229,571	42	103	112
Johnstown - Altoona	785.9	0.3263	2.76	266,029	238,605	769	96,196	40	115,792	49	69	80
Jonesboro	184.8	0.0766	2.69	65,235	64,708	208	38,775	60	20,353	31	89	70
Joplin - Pittsburg	464.8	0.1932	2.63	156,674	151,145	634	73,903	49	62,344	41	68	60
Kansas City	1,899.5	0.7884	2.68	997,657	955,197	2,246	433,911	45	432,101	45	95	100
Knoxville	1,113.6	0.4621	2.70	599,762	582,749	1,129	278,360	48	248,308	43	97	109
La Crosse - Eau Claire	433.6	0.1802	2.78	212,611	174,117	533	57,342	33	105,945	61	91	77
Lafayette, Ind.	132.6	0.0551	2.87	77,727	71,767	155	33,880	47	30,563	43	128	99
Lafayette, La.	574.8	0.2386	2.93	280,875	262,150	539	109,351	42	85,443	33	86	102
Lake Charles	220.1	0.0914	2.88	85,016	78,990	194	33,841	43	28,659	36	58	105
Lansing	618.5	0.2570	2.86	304,636	278,793	620	121,346	44	134,203	48	103	105
Laredo	126.7	0.0526	3.74	63,896	62,370	108	27,565	44	25,984	42	66	98
Las Vegas	572.6	0.2377	2.48	424,872	373,876	625	129,440	35	190,409	51	100	654
Laurel - Hattiesburg	253.3	0.1053	2.84	83,232	80,466	219	44,370	55	26,402	33	66	94
Lexington	922.4	0.3830	2.80	387,971	375,094	935	208,255	56	135,101	36	92	95
Lima	113.0	0.0470	2.78	65,639	61,659	154	27,271	44	28,640	46	107	81
Lincoln - Hastings - Kearney	677.7	0.2815	2.62	322,937	282,199	958	116,963	41	144,598	51	95	72
Little Rock	1,251.6	0.5199	2.75	486,723	478,150	1,347	265,903	56	163,798	34	85	88
Los Angeles	11,921.7	4.9501	2.77	8,226,426	7,836,520	14,368	2,730,963	35	4,415,288	56	123	104
Louisville	1,413.8	0.5872	2.79	696,090	653,619	1,385	353,652	54	236,287	36	100	106
Lubbock	397.4	0.1650	2.89	193,986	182,474	511	83,871	46	71,985	39	92	71
Macon	462.4	0.1921	2.90	186,231	180,237	437	97,346	54	65,619	36	83	109

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ADI REPORT

ADI Name	12/31/85			1985								
	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Eating Place Sales ($000)	Eating Place Units	Fast Food Sales ($000)	Fast Food Market Share (%)	Restaurant Sales ($000)	Restaurant Market Share (%)	RAI	RGI
Madison	549.6	0.2283	2.58	358,931	305,110	782	104,159	34	187,893	62	119	87
Mankato	65.3	0.0271	2.76	33,627	29,120	95	9,796	34	17,143	59	74	63
Marquette	159.3	0.0661	2.84	51,507	41,879	174	15,940	38	23,556	56	59	66
McAllen - Brownsville	641.8	0.2665	3.63	253,889	237,673	576	101,898	43	91,502	38	76	81
Medford	334.8	0.1390	2.63	160,768	147,966	520	55,360	37	83,256	56	91	59
Memphis	1,679.2	0.6971	2.84	625,482	606,054	1,604	316,146	52	217,652	36	75	101
Meridian	213.5	0.0886	2.82	58,142	57,013	173	32,564	57	18,424	32	62	95
Miami	3,001.3	1.2462	2.53	2,119,040	1,984,094	3,890	620,595	31	1,115,892	56	125	111
Milwaukee	1,894.2	0.7864	2.69	1,018,160	880,481	2,265	304,136	35	507,937	58	101	95
Minneapolis - St. Paul	3,267.7	1.3565	2.72	1,797,714	1,613,780	3,750	530,179	33	944,848	59	96	106
Minot - Bismarck - Dickinson	413.5	0.1716	2.87	187,020	149,720	548	56,372	38	84,672	57	77	81
Missoula	199.2	0.0827	2.57	98,607	79,059	326	27,303	35	47,845	61	71	62
Mobile - Pensacola	1,210.9	0.5027	2.81	542,610	508,024	1,150	250,965	49	194,588	38	85	108
Monroe - El Dorado	520.3	0.2161	2.85	153,338	145,031	409	64,056	44	46,543	32	66	95
Montgomery	555.3	0.2307	2.82	179,495	173,705	443	102,374	59	53,767	31	78	111
Nashville	1,866.4	0.7753	2.73	788,567	767,427	1,896	339,534	44	354,434	46	89	103
New Orleans	1,811.3	0.7520	2.80	1,218,449	1,140,118	1,916	438,898	38	470,683	41	110	114
New York	18,447.3	7.6598	2.69	11,256,930	10,357,135	21,623	2,693,241	26	5,867,604	57	107	104
Norfolk - Portsmouth - Newport News - Hampton	1,546.7	0.6419	2.96	786,763	768,269	1,816	353,574	46	346,456	45	108	100
North Platte	49.8	0.0210	2.66	25,519	22,534	75	9,109	40	11,732	52	101	83
Odessa - Midland	416.9	0.1731	2.83	310,683	284,187	552	130,835	46	117,341	41	90	81
Oklahoma City	1,583.9	0.6578	2.61	1,097,834	1,065,089	2,239	503,888	47	413,688	39	111	80
Omaha	942.8	0.3915	2.66	477,641	418,295	1,200	174,888	42	213,794	51	90	82
Orlando - Daytona Beach - Melbourne	1,863.4	0.7737	2.55	1,152,206	1,094,143	2,232	413,932	38	569,047	52	111	127
Ottumwa - Kirksville	78.5	0.0326	2.66	26,431	23,702	92	10,742	45	11,129	47	64	63
Paducah - Cape Girardeau - Harrisburg - Marion	845.6	0.3505	2.64	293,400	275,714	1,033	144,839	53	111,141	40	71	64
Palm Springs	817.9	0.3396	2.69	475,783	456,268	931	184,457	40	256,324	56	94	92
Panama City	205.8	0.0857	2.66	118,454	111,789	272	41,591	37	59,270	53	129	82
Parkersburg	93.0	0.0386	2.61	45,001	42,197	99	22,862	54	15,512	37	94	95
Peoria	586.5	0.2435	2.70	261,774	235,846	736	99,233	42	119,693	51	91	83
Philadelphia	7,221.5	2.9985	2.72	4,023,723	3,598,857	7,851	1,252,770	35	1,845,075	51	96	138
Phoenix	2,265.3	0.9406	2.59	1,306,707	1,213,222	2,457	426,418	35	651,729	54	90	115
Pittsburgh	3,216.8	1.3359	2.63	1,493,712	1,329,772	3,198	481,037	36	678,500	51	87	96
Portland, Ore.	2,112.2	0.8771	2.61	1,270,070	1,159,460	2,934	413,316	36	653,883	56	120	82
Portland - Poland Spring	812.1	0.3373	2.67	488,162	473,163	1,271	164,293	35	272,918	58	90	80
Presque Isle	87.2	0.0362	2.96	25,752	24,960	88	9,424	38	13,539	54	55	83
Providence - New Bedford	1,569.5	0.6516	2.74	939,949	862,484	2,051	284,162	33	489,704	57	89	82
Quincy - Hannibal	369.8	0.1538	2.66	126,652	110,126	468	53,562	49	48,792	44	63	62
Raleigh - Durham	1,725.8	0.7166	2.80	785,770	767,742	1,881	397,588	52	295,865	39	90	101
Rapid City	230.4	0.0958	2.78	109,123	92,541	345	31,914	34	54,292	59	84	70
Reno	364.6	0.1514	2.45	251,329	228,383	492	78,574	34	131,553	58	84	385
Richmond	1,186.6	0.4928	2.85	505,530	497,760	1,374	244,050	49	200,420	40	79	99
Roanoke - Lynchburg	983.9	0.4084	2.87	379,367	372,602	1,076	175,833	47	151,188	41	78	101
Rochester, N.Y.	959.7	0.3986	2.73	549,191	505,306	1,148	160,266	32	280,140	55	100	98
Rochester - Mason City - Austin	375.0	0.1556	2.62	156,971	139,280	502	49,792	36	79,642	57	68	78
Rockford	519.2	0.2156	2.69	242,827	212,718	653	84,744	40	111,921	53	88	81
Roswell	178.4	0.0740	2.79	99,462	91,422	230	40,758	45	43,431	48	69	79
Sacramento - Stockton	2,571.4	1.0677	2.66	1,539,591	1,431,542	3,417	610,450	43	741,466	52	100	80

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ADI REPORT

	12/31/85			1985								
					Eating Place		Fast Food		Restaurant			
ADI Name	Population (Thous.)	% Of U.S.	Average Household Size	Eating & Drinking Place Sales ($000)	Sales ($000)	Units	Sales ($000)	Market Share (%)	Sales ($000)	Market Share (%)	RAI	RCI
St. Joseph	128.1	0.0532	2.67	56,829	52,510	161	23,742	45	23,181	44	66	77
St. Louis	2,932.9	1.2177	2.76	1,489,572	1,376,874	3,152	639,377	46	561,000	41	87	102
Salinas - Monterey	580.8	0.2412	2.88	361,027	340,205	849	117,998	35	209,758	62	123	91
Salisbury	231.8	0.0961	2.72	202,947	191,402	424	76,816	40	102,979	54	139	76
Salt Lake City	1,852.6	0.7695	3.19	710,351	671,589	1,874	292,680	44	330,872	49	76	110
San Angelo	127.4	0.0528	2.78	79,947	75,786	168	34,188	45	31,400	41	96	71
San Antonio	1,578.4	0.6552	3.00	891,464	826,236	1,836	360,085	44	326,212	39	98	92
San Diego	2,140.9	0.8890	2.72	1,469,036	1,380,861	2,619	481,393	35	783,800	57	130	104
San Francisco	5,423.3	2.2518	2.58	4,652,981	4,347,758	7,906	1,384,670	32	2,514,063	58	132	104
Santa Barbara - Santa Maria - San Luis Obispo	519.1	0.2156	2.66	445,453	423,464	836	132,012	31	272,105	64	128	85
Sarasota	247.6	0.1028	2.19	177,091	170,249	339	42,498	25	114,453	67	115	81
Savannah	602.6	0.2499	2.93	306,559	291,519	607	149,959	51	112,092	38	100	119
Seattle - Tacoma	3,094.1	1.2847	2.55	2,070,090	1,912,402	4,078	615,257	32	1,110,337	58	114	91
Shreveport - Texarkana	1,128.2	0.4687	2.76	391,294	375,937	1,001	184,415	49	145,586	39	73	93
Sioux City	448.8	0.1866	2.66	163,312	138,490	655	57,480	42	70,600	51	57	56
Sioux Falls - Mitchell	586.5	0.2433	2.69	243,527	206,104	808	69,795	34	123,276	60	77	68
South Bend - Elkhart	792.0	0.3288	2.77	382,067	353,177	1,062	152,112	43	170,466	48	98	73
Spokane	857.8	0.3562	2.67	402,899	364,315	1,096	138,199	38	205,475	56	80	75
Springfield, Mass	586.1	0.2434	2.75	395,988	360,659	695	105,743	29	216,875	60	102	91
Springfield, Mo	775.2	0.3219	2.70	278,059	262,321	979	127,447	49	106,459	41	71	69
Springfield - Decatur - Champaign	855.3	0.3552	2.63	416,109	371,447	1,044	160,393	43	177,621	48	94	85
Syracuse	963.6	0.4003	2.82	461,926	410,838	1,143	137,680	34	226,571	55	82	91
Tallahassee - Thomasville	453.8	0.1883	2.82	201,007	193,208	462	85,507	44	90,254	47	93	107
Tampa - St. Petersburg	2,590.3	1.0755	2.42	1,450,781	1,367,734	2,873	524,704	38	690,505	50	94	100
Terre Haute	437.6	0.1817	2.65	169,864	154,589	515	75,941	49	64,918	42	74	70
Toledo	1,102.5	0.4577	2.75	641,031	589,176	1,357	233,164	40	294,848	50	99	83
Topeka	397.6	0.1651	2.72	197,478	181,480	547	91,606	50	74,722	41	87	78
Traverse City - Cadillac	420.3	0.1747	2.71	211,328	184,612	726	70,907	38	103,326	56	84	59
Tucson	764.3	0.3173	2.56	395,652	359,997	843	142,444	40	180,316	50	94	93
Tulsa	1,218.4	0.5059	2.63	612,039	596,257	1,471	297,718	50	217,635	37	97	84
Tuscaloosa	144.2	0.0598	2.76	60,872	57,292	129	32,661	57	18,049	32	75	104
Twin Falls	89.2	0.0370	2.91	37,627	34,764	101	13,544	39	19,212	55	76	78
Tyler	457.1	0.1898	2.79	226,633	220,059	526	102,060	46	90,612	41	85	77
Utica	384.9	0.1599	2.80	160,788	147,566	486	49,305	33	78,419	53	75	71
Victoria	77.7	0.0323	2.93	47,452	41,637	99	18,269	44	17,352	42	82	74
Waco - Temple	650.6	0.2702	2.86	343,151	324,962	734	145,147	45	134,905	42	99	77
Washington, D.C.	4,219.6	1.7520	2.72	2,841,178	2,744,278	4,780	992,738	36	1,299,421	47	115	130
Watertown - Carthage	236.5	0.0982	2.97	94,139	79,743	285	29,225	37	42,275	53	78	70
Wausau - Rhinelander	448.5	0.1863	2.77	178,993	151,983	595	45,793	30	97,987	64	79	68
West Palm Beach	1,035.6	0.4300	2.38	676,589	636,821	1,227	182,750	29	403,603	63	101	108
Wheeling - Steubenville	421.1	0.1750	2.67	151,501	138,758	449	68,189	49	57,355	41	70	79
Wichita - Hutchinson	1,106.7	0.4598	2.62	496,838	478,738	1,723	233,143	49	198,440	41	78	68
Wichita Falls - Lawton	450.1	0.1872	2.77	221,282	212,595	559	102,115	48	83,763	39	93	73
Wilkes-Barre - Scranton	1,142.9	0.4743	2.67	451,981	412,819	1,263	158,149	38	194,169	47	77	79
Wilmington	377.1	0.1565	2.84	151,371	147,909	439	79,312	54	56,200	38	81	78
Yakima	467.8	0.1944	2.75	225,784	202,311	623	70,074	35	118,398	59	81	75
Youngstown	757.3	0.3144	2.72	330,201	297,614	850	135,585	46	132,338	44	83	78
Zanesville	84.8	0.0352	2.70	39,632	36,184	113	16,889	47	14,962	41	90	67
Total ADIs	239,224.4	99.3319	2.72	132,493,819	123,227,400	280,370	47,421,198	38	61,620,781	50	99	100

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TOP 100 EATING PLACE MARKETS

1985

BY METRO AREA

Metro Area Name	Sales ($000)	Ranking
Los Angeles - Long Beach	5,252,265	1
New York	5,179,071	2
Chicago	3,207,466	3
Boston - Lawrence - Salem - Lowell - Brockton	3,194,389	4
Washington	2,467,739	5
Philadelphia	2,339,525	6
Detroit	2,186,337	7
Houston	2,162,103	8
San Francisco	1,905,828	9
Anaheim - Santa Ana	1,754,791	10
Atlanta	1,726,958	11
Dallas	1,709,660	12
Nassau - Suffolk	1,455,471	13
San Diego	1,380,861	14
Minneapolis - St Paul	1,258,259	15
Seattle	1,254,361	16
St Louis	1,248,137	17
Baltimore	1,199,812	18
Denver	1,175,346	19
Oakland	1,135,110	20
Phoenix	1,075,003	21
Tampa - St Petersburg - Clearwater	1,061,782	22
Miami - Hialeah	1,048,742	23
Cleveland	1,042,307	24
Pittsburgh	1,039,010	25
Riverside - San Bernardino	1,013,009	26
San Jose	1,008,106	27
New Orleans	902,098	28
Newark	891,050	29
Fort Lauderdale - Hollywood - Pompano Beach	867,542	30
Honolulu	855,274	31
Kansas City	839,015	32
Bergen - Passaic	826,595	33
Cincinnati	820,859	34
Sacramento	805,445	35
Oklahoma City	797,906	36
Columbus, Ohio	754,210	37
Indianapolis	738,946	38
Fort Worth - Arlington	728,126	39
San Antonio	727,990	40
Portland, Ore	712,303	41
Hartford - New Britain - Middletown - Bristol	710,122	42
Milwaukee	687,936	43
Norfolk - Virginia Beach - Newport News	673,154	44
Orlando	616,084	45
Bridgeport - Stamford - Norwalk - Danbury	589,430	46
Louisville	538,668	47
Charlotte - Gastonia - Rock Hill	524,006	48
Nashville	522,969	49
Rochester, N Y	516,048	50
West Palm Beach - Boca Raton - Delray Beach	499,422	51
Greensboro - Winston-Salem - High Point	497,357	52
Buffalo	493,075	53
Dayton - Springfield	479,447	54
Monmouth - Ocean	478,059	55
Austin	473,584	56
New Haven - Waterbury - Meriden	465,391	57
Memphis	459,171	58
Providence - Pawtucket - Woonsocket	457,754	59
Tulsa	447,864	60
Middlesex - Somerset - Hunterdon	446,698	61
Knoxville	439,980	62
Jacksonville, Fla	427,421	63
Richmond - Petersburg	405,173	64
Toledo	404,717	65
Salt Lake City - Ogden	395,643	66
Worcester - Fitchburg - Leominster	370,677	67
Albany - Schenectady - Troy	370,654	68
Las Vegas	369,335	69
Raleigh - Durham	363,297	70
Springfield, Mass	360,659	71
Gary - Hammond	346,991	72
Akron	343,134	73
Birmingham	342,686	74
Omaha	327,439	75
Tucson	317,774	76
Grand Rapids	311,282	77
Scranton - Wilkes-Barre	308,628	78
Allentown - Bethlehem	297,938	79
Syracuse	297,693	80
Anchorage	290,667	81
Albuquerque	288,352	82
Greenville - Spartanburg	284,608	83
Santa Barbara - Santa Maria - Lompoc	284,571	84
Harrisburg - Lebanon - Carlisle	281,819	85
Atlantic City	280,561	86
Baton Rouge	269,121	87
Bakersfield	263,938	88
New Bedford - Fall River - Attleboro	257,560	89
Little Rock - North Little Rock	257,036	90
Tacoma	256,386	91
Wilmington, Del	253,677	92
Oxnard - Ventura	253,329	93
Fresno	249,017	94
Charleston, S C	242,088	95
Columbia, S C	229,410	96
El Paso	229,071	97
Flint	221,018	98

BY ADI

ADI NAME	Sales ($000)	Ranking
New York	10,357,135	1
Los Angeles	7,836,520	2
Boston	4,424,345	3
San Francisco	4,347,758	4
Chicago	4,242,913	5
Philadelphia	3,598,857	6
Washington, D C	2,744,278	7
Dallas - Ft Worth	2,681,697	8
Houston	2,476,487	9
Detroit	2,352,243	10
Atlanta	2,022,396	11
Miami	1,984,094	12
Seattle - Tacoma	1,912,402	13
Cleveland	1,910,589	14
Denver	1,797,919	15
Minneapolis - St Paul	1,613,780	16
Sacramento - Stockton	1,431,542	17
Hartford - New Haven	1,393,456	18
San Diego	1,380,861	19
St Louis	1,376,874	20
Tampa - St Petersburg	1,367,734	21
Pittsburgh	1,329,772	22
Baltimore	1,264,986	23
Phoenix	1,213,222	24
Indianapolis	1,194,436	25
Portland, Ore	1,159,460	26
New Orleans	1,140,118	27
Orlando - Daytona Beach - Melbourne	1,094,143	28
Oklahoma City	1,065,089	29
Cincinnati	988,631	30
Kansas City	955,197	31
Columbus, Ohio	888,305	32
Milwaukee	880,481	33
Providence - New Bedford	862,484	34
San Antonio	826,236	35
Charlotte	801,653	36
Norfolk - Portsmouth - Newport News - Hampton	768,269	37
Raleigh - Durham	767,742	38
Nashville	767,427	39
Buffalo	750,295	40
Grand Rapids - Kalamazoo - Battle Creek	690,820	41
Salt Lake City	671,589	42
Greenville - Spartanburg - Asheville	661,685	43
Louisville	653,619	44
Greensboro - Winston-Salem - High Point	651,143	45
West Palm Beach	636,821	46
Harrisburg - York - Lancaster - Lebanon	634,142	47
Dayton	622,352	48
Memphis	606,054	49
Tulsa	596,257	50
Toledo	589,176	51
Albany - Schenectady - Troy	586,204	52
Knoxville	582,749	53
Austin, Tex	545,494	54
Albuquerque	542,819	55
Jacksonville	541,620	56
Flint - Saginaw - Bay City	537,011	57
Mobile - Pensacola	508,024	58
Rochester, N Y	505,306	59
Richmond	497,760	60
Fresno - Visalia	486,641	61
Wichita - Hutchinson	478,738	62
Little Rock	478,150	63
Birmingham	475,395	64
Portland - Poland Spring	473,163	65
Palm Springs	456,268	66
Charleston - Huntington	441,376	67
Santa Barbara - Santa Maria - San Luis Obispo	423,464	68
Omaha	418,235	69
Wilkes-Barre - Scranton	412,819	70
Syracuse	410,838	71
Green Bay	385,729	72
Des Moines	381,189	73
Shreveport - Texarkana	375,937	74
Lexington	375,094	75
Las Vegas	373,876	76
Roanoke - Lynchburg	372,602	77
Springfield - Decatur - Champaign	371,447	78
Spokane	364,315	79
Springfield, Mass	360,659	80
Tucson	359,997	81
Burlington - Plattsburgh	356,163	82
South Bend - Elkhart	353,177	83
Baton Rouge	342,987	84
Salinas - Monterey	340,205	85
Davenport - Rock Island - Moline	337,468	86
Waco - Temple	324,962	87
Columbia, S C	317,275	88
Chattanooga	313,553	89
Cedar Rapids - Waterloo - Dubuque	308,113	90
Madison	305,110	91
Evansville	302,161	92
Youngstown	297,614	93
Charleston, S C	291,530	94
Savannah	291,519	95
Colorado Springs - Pueblo	288,047	96
Odessa - Midland	284,187	97
El Paso	283,669	98
Lincoln - Hastings - Kearney	282,199	99

TOP 100 FAST FOOD MARKETS

1985

BY METRO AREA

Metro Area Name	Sales ($000)	Ranking
Los Angeles - Long Beach	1,758,275	1
New York	1,207,048	2
Chicago	1,130,337	3
Washington	861,778	4
Boston - Lawrence - Salem - Lowell - Brockton	846,318	5
Houston	839,995	6
Detroit	823,008	7
Philadelphia	811,508	8
Atlanta	804,486	9
Dallas	689,849	10
Anaheim - Santa Ana	610,850	11
St Louis	575,571	12
Baltimore	492,466	13
San Diego	481,393	14
Riverside - San Bernardino	448,511	15
San Francisco	442,782	16
Oakland	436,547	17
Nassau - Suffolk	416,632	18
Minneapolis - St Paul	413,736	19
Cleveland	397,220	20
San Jose	390,935	21
Tampa - St Petersburg - Clearwater	389,610	22
Seattle	381,979	23
Kansas City	377,334	24
Phoenix	374,519	25
Oklahoma City	369,227	26
Columbus, Ohio	359,389	27
Denver	356,785	28
Pittsburgh	353,354	29
Miami - Hialeah	345,055	30
Indianapolis	343,357	31
New Orleans	342,495	32
Sacramento	334,992	33
Cincinnati	333,954	34
For. Worth - Arlington	332,348	35
San Antonio	308,056	36
Norfolk - Virginia Beach - Newport News	301,713	37
Honolulu	294,026	38
Louisville	287,041	39
Charlotte - Gastonia - Rock Hill	281,792	40
Newark	257,436	41
Fort Lauderdale - Hollywood - Pompano Beach	247,653	42
Milwaukee	242,825	43
Portland, Ore	237,864	44
Greensboro - Winston-Salem - High Point	236,493	45
Memphis	235,505	46
Dayton - Springfield	235,138	47
Orlando	232,355	48
Hartford - New Britain - Middletown - Bristol	225,600	49
Tulsa	222,195	50
Bergen - Passaic	214,792	51
Nashville	212,529	52
Jacksonville, Fla	203,778	53
Austin	203,705	54
Knoxville	201,683	55
Richmond - Petersburg	196,826	56
Birmingham	181,611	57
Salt Lake City - Ogden	180,890	58
Raleigh - Durham	176,591	59
Buffalo	169,915	60
Gary - Hammond	164,163	61
Rochester, N.Y	164,086	62
Greenville - Spartanburg	159,365	63
New Haven - Waterbury - Meriden	157,041	64
Toledo	153,052	65
Bridgeport - Stamford - Norwalk - Danbury	149,257	66
Monmouth - Ocean	147,848	67
Baton Rouge	145,511	68
Providence - Pawtucket - Woonsocket	144,237	69
Omaha	137,214	70
Little Rock - North Little Rock	133,991	71
Middlesex - Somerset - Hunterdon	133,756	72
Akron	132,619	73
Las Vegas	127,867	74
Tucson	126,434	75
West Palm Beach - Boca Raton - Delray Beach	126,247	76
Albany - Schenectady - Troy	121,011	77
Columbia, S.C.	120,763	78
Charleston, S.C	118,191	79
Albuquerque	116,436	80
Scranton - Wilkes-Barre	112,627	81
Bakersfield	112,089	82
Fresno	111,323	83
Lexington-Fayette	110,549	84
Wilmington, Del.	109,615	85
Harrisburg - Lebanon - Carlisle	109,446	86
Grand Rapids	107,305	87
Springfield, Mass	105,743	88
Allentown - Bethlehem	105,611	89
Johnson City - Kingsport - Bristol	104,970	90
El Paso	104,462	91
Youngstown - Warren	104,033	92
Mobile	103,419	93
Wichita	99,759	94
Worcester - Fitchburg - Leominster	99,007	95
New Bedford - Fall River - Attleboro	98,752	96
Chattanooga	98,346	97
Stockton	97,237	98
Flint	96,360	99
Syracuse	96,141	100

BY ADI

ADI NAME	Sales ($000)	Ranking
Los Angeles	2,730,963	1
New York	2,693,241	2
Chicago	1,567,164	3
San Francisco	1,384,670	4
Philadelphia	1,252,770	5
Boston	1,174,470	6
Dallas - Ft Worth	1,147,825	7
Houston	994,556	8
Washington, D C	992,738	9
Atlanta	974,889	10
Detroit	887,659	11
Cleveland	762,849	12
St Louis	639,377	13
Miami	620,595	14
Seattle - Tacoma	615,257	15
Sacramento - Stockton	610,450	16
Indianapolis	566,080	17
Denver	554,398	18
Minneapolis - St Paul	530,179	19
Tampa - St Petersburg	524,704	20
Baltimore	519,333	21
Oklahoma City	503,888	22
San Diego	481,393	23
Pittsburgh	481,037	24
Hartford - New Haven	453,973	25
New Orleans	438,898	26
Kansas City	433,911	27
Charlotte	430,781	28
Phoenix	426,418	29
Columbus, Ohio	422,271	30
Orlando - Daytona Beach - Melbourne	413,932	31
Cincinnati	413,868	32
Portland, Ore	413,316	33
Raleigh - Durham	397,588	34
San Antonio	360,085	35
Greenville - Spartanburg - Asheville	357,200	36
Louisville	353,652	37
Norfolk - Portsmouth - Newport News - Hampton	353,574	38
Nashville	339,534	39
Greensboro - Winston-Salem - High Point	319,667	40
Memphis	316,146	41
Dayton	304,365	42
Milwaukee	304,136	43
Tulsa	297,718	44
Salt Lake City	292,680	45
Providence - New Bedford	284,162	46
Knoxville	278,360	47
Little Rock	265,903	48
Buffalo	264,250	49
Jacksonville	262,405	50
Birmingham	261,017	51
Grand Rapids - Kalamazoo - Battle Creek	257,028	52
Mobile - Pensacola	250,965	53
Charleston - Huntington	249,624	54
Richmond	244,050	55
Austin, Tex	241,654	56
Harrisburg - York - Lancaster - Lebanon	236,489	57
Toledo	233,164	58
Wichita - Hutchinson	233,143	59
Albuquerque	224,832	60
Flint - Saginaw - Bay City	221,977	61
Fresno - Visalia	215,602	62
Lexington	208,255	63
Albany - Schenectady - Troy	184,877	64
Palm Springs	184,457	65
Shreveport - Texarkana	184,415	66
West Palm Beach	182,750	67
Roanoke - Lynchburg	175,833	68
Baton Rouge	175,087	69
Omaha	174,888	70
Portland - Poland Spring	164,293	71
Chattanooga	163,127	72
Des Moines	161,790	73
Springfield - Decatur - Champaign	160,393	74
Columbia, S.C	160,268	75
Rochester, N.Y	160,266	76
Evansville	160,206	77
Wilkes-Barre - Scranton	158,149	78
Davenport - Rock Island - Moline	156,175	79
South Bend - Elkhart	152,112	80
Savannah	149,959	81
Waco - Temple	145,147	82
Paducah - Cape Girardeau - Harrisburg - Marion	144,839	83
Bristol - Kingsport - Johnson City	143,409	84
Tucson	142,444	85
Charleston, S.C.	140,333	86
Huntsville - Decatur - Florence	140,078	87
Spokane	138,199	88
Syracuse	137,680	89
Youngstown	135,585	90
Corpus Christi	134,301	91
Jackson, Miss.	133,369	92
Santa Barbara - Santa Maria - San Luis Obispo	132,012	93
Green Bay	130,866	94
Odessa - Midland	130,835	95
Cedar Rapids - Waterloo - Dubuque	129,749	96
Las Vegas	129,440	97
El Paso	128,053	98

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TOP 100 RESTAURANT MARKETS

BY METRO AREA

1985

Metro Area Name	Sales ($000)	Ranking
New York	3,009,716	1
Los Angeles - Long Beach	2,972,577	2
Boston - Lawrence - Salem - Lowell - Brockton	1,831,479	3
Chicago	1,706,216	4
San Francisco	1,199,010	5
Washington	1,188,769	6
Philadelphia	1,168,285	7
Detroit	1,117,808	8
Anaheim - Santa Ana	1,019,100	9
Houston	984,649	10
San Diego	783,800	11
Nassau - Suffolk	779,839	12
Dallas	748,231	13
Minneapolis - St. Paul	726,353	14
Seattle	720,272	15
Atlanta	691,709	16
Denver	661,499	17
Oakland	614,992	18
Phoenix	575,024	19
Miami - Hialeah	551,570	20
Pittsburgh	548,768	21
Tampa - St. Petersburg - Clearwater	545,029	22
Cleveland	538,078	23
San Jose	531,074	24
Fort Lauderdale - Hollywood - Pompano Beach	529,337	25
Riverside - San Bernardino	518,569	26
Baltimore	508,087	27
St. Louis	504,486	28
Bergen - Passaic	466,194	29
Honolulu	462,034	30
Newark	452,065	31
Sacramento	418,693	32
Portland, Ore	410,749	33
New Orleans	409,296	34
Cincinnati	398,248	35
Milwaukee	388,339	36
Kansas City	381,909	37
Hartford - New Britain - Middletown - Bristol	368,016	38
Bridgeport - Stamford - Norwalk - Danbury	353.813	39
West Palm Beach - Boca Raton - Delray Beach	332,718	40
Orlando	325,987	41
Columbus, Ohio	325,417	42
Oklahoma City	314,040	43
Norfolk - Virginia Beach - Newport News	310,652	44
Indianapolis	296,588	45
Fort Worth - Arlington	288,533	46
San Antonio	286,940	47
Monmouth - Ocean	286,799	48
Rochester, N.Y	286,041	49
Providence - Pawtucket - Woonsocket	266,557	50
New Haven - Waterbury - Meriden	261,113	51
Nashville	255,795	52
Middlesex - Somerset - Hunterdon	254,857	53
Buffalo	250,499	54
Worcester - Fitchburg - Leominster	220,509	55
Springfield, Mass	216,875	56
Albany - Schenectady - Troy	213,918	57
Austin	211,711	58
Toledo	208,722	59
Louisville	196,430	60
Dayton - Springfield	196,036	61
Charlotte - Gastonia - Rock Hill	194,523	62
Knoxville	192,691	63
Akron	188,878	64
Las Vegas	187,927	65
Santa Barbara - Santa Maria - Lompoc	187,919	66
Greensboro - Winston-Salem - High Point	184,330	67
Salt Lake City - Ogden	182,373	68
Jacksonville, Fla	182,021	69
Grand Rapids	169,448	70
Omaha	166,635	71
Richmond - Petersburg	166,624	72
Syracuse	166,501	73
Atlantic City	166,140	74
Memphis	165,118	75
Tulsa	161,542	76
Tucson	156,982	77
Gary - Hammond	153,914	78
Scranton - Wilkes-Barre	149,736	79
Oxnard - Ventura	149,614	80
Tacoma	148,111	81
Allentown - Bethlehem	147,350	82
Raleigh - Durham	142,605	83
Harrisburg - Lebanon - Carlisle	140,648	84
Albuquerque	136,152	85
Bakersfield	135,730	86
Salinas - Seaside - Monterey	134,352	87
New Bedford - Fall River - Attleboro	131,945	88
Madison	130,837	89
Fresno	127,165	90
Wilmington, Del	125,893	91
Portsmouth - Dover - Rochester	123,519	92
Anchorage	123,275	93
Manchester - Nashua	121,158	94
Lancaster	115,715	95
Vallejo - Fairfield - Napa	115,131	96
Sarasota	114,453	97
Birmingham	114,344	98

BY ADI

ADI NAME	Sales ($000)	Ranking
New York	5,867,604	1
Los Angeles	4,415,288	2
Boston	2,617,593	3
San Francisco	2,514,063	4
Chicago	2,212,031	5
Philadelphia	1,845,075	6
Washington, D C	1,299,421	7
Detroit	1,203,002	8
Dallas - Ft. Worth	1,134,391	9
Miami	1,115,892	10
Seattle - Tacoma	1,110,337	11
Houston	1,109,367	12
Denver	1,035,349	13
Cleveland	973,115	14
Minneapolis - St. Paul	944,848	15
Atlanta	793,880	16
San Diego	783,800	17
Hartford - New Haven	758,278	18
Sacramento - Stockton	741,466	19
Tampa - St. Petersburg	690,505	20
Pittsburgh	678,500	21
Portland, Ore	653,883	22
Phoenix	651,729	23
Orlando - Daytona Beach - Melbourne	569,047	24
St. Louis	561,000	25
Baltimore	543,222	26
Milwaukee	507,937	27
Providence - New Bedford	489,704	28
Indianapolis	482,460	29
Cincinnati	470,993	30
New Orleans	470,683	31
Kansas City	432,101	32
Oklahoma City	413,688	33
West Palm Beach	403,603	34
Columbus, Ohio	381,127	35
Buffalo	381,002	36
Grand Rapids - Kalamazoo - Battle Creek	361,998	37
Nashville	354,434	38
Norfolk - Portsmouth - Newport News - Hampton	346,456	39
Albany - Schenectady - Troy	341,856	40
Harrisburg - York - Lancaster - Lebanon	338,569	41
Salt Lake City	330,872	42
San Antonio	326,212	43
Charlotte	301,441	44
Raleigh - Durham	295,865	45
Toledo	294,848	46
Rochester, N.Y	280,140	47
Portland - Poland Spring	272,918	48
Santa Barbara - Santa Maria - San Luis Obispo	272,105	49
Flint - Saginaw - Bay City	266,451	50
Albuquerque	262,443	51
Palm Springs	256,324	52
Dayton	254,499	53
Fresno - Visalia	252,398	54
Knoxville	248,308	55
Greensboro - Winston-Salem - High Point	242,569	56
Greenville - Spartanburg - Asheville	241,820	57
Austin, Tex	240,357	58
Louisville	236,287	59
Jacksonville	229,571	60
Green Bay	227,752	61
Syracuse	226,571	62
Memphis	217,652	63
Tulsa	217,635	64
Springfield, Mass	216,875	65
Burlington - Plattsburgh	215,862	66
Omaha	213,794	67
Salinas - Monterey	209,758	68
Spokane	205,475	69
Richmond	200,420	70
Wichita - Hutchinson	198,440	71
Mobile - Pensacola	194,588	72
Wilkes-Barre - Scranton	194,169	73
Las Vegas	190,409	74
Madison	187,893	75
Des Moines	181,894	76
Tucson	180,316	77
Springfield - Decatur - Champaign	177,621	78
South Bend - Elkhart	170,466	79
Little Rock	163,798	80
Ft. Myers - Naples	157,517	81
Birmingham	155,137	82
Cedar Rapids - Waterloo - Dubuque	153,066	83
Charleston - Huntington	152,730	84
Roanoke - Lynchburg	151,188	85
Davenport - Rock Island - Moline	150,424	86
Ft. Wayne	149,168	87
Shreveport - Texarkana	145,586	88
Lincoln - Hastings - Kearney	144,598	89
Colorado Springs - Pueblo	140,911	90
Bakersfield	135,730	91
Lexington	135,101	92
Waco - Temple	134,905	93
Lansing	134,203	94
Youngstown	132,338	95
Reno	131,553	96
Chattanooga	126,647	97
Sioux Falls - Mitchell	123,276	98
Fargo	120,806	99

TOP 100 PER CAPITA EATING PLACE MARKETS

1985

BY METRO AREA

Metro Area Name	Sales Per Capita	Ranking
Anchorage	1,226	1
San Francisco	1,225	2
Honolulu	1,033	3
Atlantic City	920	4
Odessa	916	5
Boston - Lawrence - Salem - Lowell - Brockton	863	6
Santa Barbara - Santa Maria - Lompoc	861	7
Anaheim - Santa Ana	826	8
Portland, Me	816	9
Oklahoma City	811	10
Houma - Thibodaux	794	11
Panama City	792	12
Midland, Tex	791	13
Lafayette, La	768	14
Abilene	767	15
Naples	749	16
Fort Lauderdale - Hollywood - Pompano Beach	748	17
Dallas	745	18
Knoxville	735	19
Seattle	729	20
Burlington, Vt	728	21
Bryan - College Station	724	22
San Jose	724	22
Boulder - Longmont	723	24
Reno	720	25
Bridgeport - Stamford - Norwalk - Danbury	719	26
Denver	719	26
Orlando	713	28
Washington	707	29
Atlanta	702	30
Sarasota	688	31
Austin	686	32
West Palm Beach - Boca Raton - Delray Beach	684	33
Wilmington, N C	682	34
San Angelo	679	35
Houston	673	36
Manchester - Nashua	671	37
Amarillo	669	38
New Orleans	669	38
Las Vegas	666	40
Savannah	665	41
Hartford - New Britain - Middletown - Bristol	660	42
Lexington-Fayette	658	43
Toledo	655	44
Fort Walton Beach	649	45
Los Angeles - Long Beach	649	45
Madison	649	45
San Diego	645	48
Pittsfield	643	49
Bergen - Passaic	639	50
Lubbock	637	51
Sacramento	636	52
Portsmouth - Dover - Rochester	634	53
Longview - Marshall	626	54
Santa Fe	624	55
Rapid City	621	56
Enid	620	57
Portland, Ore	620	57
Fort Worth - Arlington	619	59
Owensboro	618	60
Springfield, Mass	615	61
New York	614	62
Albuquerque	613	63
Indianapolis	611	64
Wichita Falls	611	64
Bradenton	609	66
Galveston - Texas City	609	66
New London - Norwich	608	68
Muncie	606	69
Kalamazoo	604	70
Daytona Beach	603	71
Salinas - Seaside - Monterey	603	71
Burlington, N C	602	73
New Haven - Waterbury - Meriden	602	73
San Antonio	602	73
Tulsa	601	76
Asheville	599	77
Oakland	596	78
Santa Cruz	596	78
Billings	595	80
Cheyenne	593	81
Miami - Hialeah	592	82
Champaign - Urbana - Rantoul	589	83
Gainesville	589	83
Bellingham	588	85
Ann Arbor	586	86
Biloxi - Gulfport	585	87
Columbus, Ohio	585	87
Cincinnati	584	89
Phoenix	584	89
Terre Haute	584	89
Boise	582	92
Colorado Springs	578	93
Lafayette - West Lafayette	574	94
Nashville	574	94
Raleigh - Durham	574	94
Corpus Christi	569	97
Tampa - St Petersburg - Clearwater	568	98
Rochester, Minn	563	99
Kansas City	560	100

BY ADI

ADI NAME	Sales Per Capita	Ranking
Salisbury	826	1
Santa Barbara - Santa Maria - San Luis Obispo	816	2
Boston	802	3
San Francisco	802	3
Flagstaff	784	5
Denver	692	6
Sarasota	688	7
Odessa - Midland	682	8
Oklahoma City	672	9
Miami	661	10
Los Angeles	657	11
Las Vegas	653	12
Washington, D C	650	13
Austin, Tex	646	14
San Diego	645	15
Dallas - Ft Worth	635	16
New Orleans	629	17
Reno	626	18
Houston	624	19
Biloxi - Gulfport - Pascagoula	619	20
Seattle - Tacoma	618	21
Hartford - New Haven	617	22
Springfield, Mass	615	23
West Palm Beach	615	23
Atlanta	610	25
Charlottesville	604	26
Florence, S C	596	27
San Angelo	595	28
Orlando - Daytona Beach - Melbourne	587	29
Salinas - Monterey	586	30
Portland - Poland Spring	583	31
New York	561	32
Palm Springs	558	33
Ft Myers - Naples	557	34
Sacramento - Stockton	557	34
Bakersfield	555	36
Madison	555	36
Providence - New Bedford	550	38
Portland, Ore	549	39
Gainesville	547	40
Lima	546	41
Panama City	543	42
Lafayette, Ind	541	43
Eureka	536	44
Phoenix	536	44
Victoria	536	44
Toledo	534	47
Grand Junction	532	48
Tampa - St Petersburg	528	49
Rochester, N Y	527	50
Corpus Christi	525	51
Indianapolis	525	51
Knoxville	523	53
San Antonio	523	53
Bowling Green	520	55
Cheyenne	518	56
Baltimore	515	57
Abilene - Sweetwater	513	58
Burlington - Plattsburgh	512	59
Roswell	512	59
Columbus, Ohio	510	61
Cincinnati	504	62
Glendive	504	62
Detroit	503	64
Helena	503	64
Kansas City	503	64
Casper - Riverton	501	67
Colorado Springs - Pueblo	499	68
Waco - Temple	499	68
Philadelphia	498	70
Cleveland	497	71
Norfolk - Portsmouth - Newport News - Hampton	497	71
Amarillo	495	73
Minneapolis - St Paul	494	74
Billings - Hardin	493	75
Chicago	493	75
Laredo	492	77
Tulsa	489	78
Greensboro - Winston-Salem - High Point	485	79
Savannah	484	80
Albuquerque	483	81
Tyler - Longview	481	82
Charleston, S C	476	83
Jacksonville	474	84
Chico - Redding	473	85
Wichita Falls - Lawton	472	86
Bend	471	87
Tucson	471	87
St Louis	469	89
Milwaukee	465	90
Louisville	462	91
Boise	461	92
Eugene	460	93
Lubbock	459	94
Lafayette, La	456	95
Topeka	456	95
Dayton	455	97
Parkersburg	454	98
North Platte	452	99

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TOP 100 PER CAPITA FAST FOOD MARKETS

BY METRO AREA 1985 BY ADI

Metro Area Name	Sales Per Capita	Ranking
Odessa	402	1
Anchorage	391	2
Oklahoma City	375	3
Wilmington, N.C.	359	4
Honolulu	355	5
Midland, Tex	347	6
Owensboro	345	7
Savannah	341	8
Abilene	337	9
Knoxville	337	9
Lexington-Fayette	334	11
Lafayette, La	330	12
Atlanta	327	13
Bryan - College Station	318	14
Burlington, N.C.	317	15
Asheville	315	16
Houma - Thibodaux	313	17
Biloxi - Gulfport	312	18
Naples	308	19
Enid	304	20
Fayetteville - Springdale	303	21
Dallas	300	22
San Angelo	298	23
Tulsa	298	23
Louisville	296	25
Austin	295	26
Amarillo	294	27
Anaheim - Santa Ana	288	28
Panama City	287	29
Muncie	285	30
San Francisco	285	30
Indianapolis	284	32
Fort Worth - Arlington	283	33
Dothan	282	34
San Jose	281	35
Lubbock	280	36
Atlantic City	279	37
Columbus, Ohio	279	37
Raleigh - Durham	279	37
Topeka	279	37
Evansville	278	41
Santa Fe	278	41
Jackson, Tenn.	276	43
Terre Haute	275	44
Longview - Marshall	274	45
Columbia, S.C.	272	46
Lafayette - West Lafayette	270	47
Charlotte - Gastonia - Rock Hill	269	48
Orlando	269	48
Wichita Falls	268	50
Galveston - Texas City	267	51
Huntsville	267	51
Corpus Christi	265	53
Little Rock - North Little Rock	265	53
Portland, Me.	265	53
Sacramento	265	53
Athens	263	57
Baton Rouge	263	57
Greensboro - Winston-Salem - High Point	262	59
Greenville - Spartanburg	262	59
Houston	262	59
Kokomo	259	62
Bloomington, Ind	256	63
Huntington - Ashland	256	63
Gary - Hammond	255	65
San Antonio	255	65
Dayton - Springfield	254	67
New Orleans	254	67
Lawrence, Kans.	253	69
Kansas City	252	70
Memphis	252	70
Lawton	251	72
Albany, Ga.	250	73
Jacksonville, Fla.	249	74
Albuquerque	248	75
Toledo	248	75
Colorado Springs	247	77
Elkhart - Goshen	247	77
Washington	247	77
Reno	246	80
Santa Barbara - Santa Maria - Lompoc	246	80
Fort Smith	245	82
Roanoke	245	82
Hickory	244	84
Santa Cruz	243	85
Richmond - Petersburg	242	86
Springfield, Mo.	242	86
Charleston, S.C.	241	88
Kalamazoo	241	88
Stockton	239	90
Waco	239	90
Cincinnati	238	92
St. Louis	238	92
Riverside - San Bernardino	237	94
Bakersfield	236	95
Shreveport	236	95
Boulder - Longmont	235	97
Fort Walton Beach	235	97
Madison	235	97
Texarkana	235	97
Victoria	235	97
Johnson City - Kingsport - Bristol	234	102

ADI NAME	Sales Per Capita	Ranking
Biloxi - Gulfport - Pascagoula	331	1
Salisbury	331	1
Bowling Green	322	3
Oklahoma City	318	4
Odessa - Midland	314	5
Atlanta	294	6
Flagstaff	294	6
Austin, Tex	286	8
Florence, S.C.	274	9
Charlottesville	272	10
Dallas - Ft. Worth	272	10
San Angelo	268	12
Lafayette, Ind	256	13
San Francisco	255	14
Santa Barbara - Santa Maria - San Luis Obispo	254	15
Corpus Christi	252	16
Houston	250	17
Knoxville	250	17
Louisville	250	17
Indianapolis	249	20
Savannah	249	20
Parkersburg	246	22
Tulsa	244	23
Abilene - Sweetwater	243	24
Columbus, Ohio	242	25
New Orleans	242	25
Lima	241	27
Charlotte	239	28
Greensboro - Winston-Salem - High Point	238	29
Sacramento - Stockton	237	30
Bakersfield	236	31
Victoria	235	32
Washington, D.C.	235	32
Amarillo	234	34
Raleigh - Durham	230	35
Topeka	230	35
Charleston, S.C.	229	37
Jacksonville	229	37
Los Angeles	229	37
Norfolk - Portsmouth - Newport News - Hampton	229	37
Baton Rouge	228	41
Kansas City	228	41
Roswell	228	41
San Antonio	228	41
Wichita Falls - Lawton	227	45
Las Vegas	226	46
Lexington	226	46
Palm Springs	226	46
Tuscaloosa	226	46
San Diego	225	50
Dayton	223	51
Tyler - Longview	223	51
Waco - Temple	223	51
Evansville	222	54
Orlando - Daytona Beach - Melbourne	222	54
Ft. Smith	219	56
Greenville - Spartanburg - Asheville	219	56
Laredo	218	58
St. Louis	218	58
Reno	216	60
Boston	213	61
Denver	213	61
Jackson, Tenn.	212	63
Little Rock	212	63
Baltimore	211	65
Cincinnati	211	65
Lubbock	211	65
Macon	211	65
Toledo	211	65
Wichita - Hutchinson	211	65
Jonesboro	210	71
Wilmington	210	71
Miami	207	73
Mobile - Pensacola	207	73
Harrisonburg	206	75
Richmond	206	75
Columbia, S.C.	205	77
Ft. Myers - Naples	204	78
Salinas - Monterey	203	79
Tampa - St. Petersburg	203	79
Cheyenne	202	81
Panama City	202	81
Portland - Poland Spring	202	81
Hartford - New Haven	201	84
Albuquerque	200	85
Gainesville	200	85
Casper - Riverton	199	87
Cleveland	199	87
Seattle - Tacoma	199	87
Zanesville	199	87
Chattanooga	197	91
Eugene	197	91
Colorado Springs - Pueblo	196	93
Eureka	196	93
Huntsville - Decatur - Florence	196	93
Lansing	196	93
Portland, Ore.	196	93
Albany, Ga.	193	98
South Bend - Elkhart	192	99

TOP 100 PER CAPITA RESTAURANT MARKETS

BY METRO AREA 1985 BY ADI

Metro Area Name	Sales Per Capita	Ranking
San Francisco	771	1
Santa Barbara - Santa Maria - Lompoc	568	2
Honolulu	558	3
Atlantic City	545	4
Anchorage	520	5
Portland, Me	496	6
Boston - Lawrence - Salem - Lowell - Brockton	495	7
Anaheim - Santa Ana	480	8
Sarasota	462	9
Fort Lauderdale - Hollywood - Pompano Beach	457	10
West Palm Beach - Boca Raton - Delray Beach	455	11
Burlington, Vt	451	12
Bridgeport - Stamford - Norwalk - Danbury	431	13
Boulder - Longmont	429	14
Panama City	422	15
Reno	421	16
Seattle	419	17
Pittsfield	409	18
Denver	405	19
Salinas - Seaside - Monterey	404	20
Manchester - Nashua	401	21
Portsmouth - Dover - Rochester	398	22
Madison	389	23
Naples	386	24
Odessa	382	25
San Jose	381	26
Orlando	377	27
Rapid City	372	28
Springfield, Mass	370	29
Los Angeles - Long Beach	367	30
San Diego	366	31
New London - Norwich	361	32
Bergen - Passaic	360	33
New York	357	34
Portland, Ore	357	34
Billings	347	36
Fort Walton Beach	345	37
Fort Myers - Cape Coral	343	38
Hartford - New Britain - Middletown - Bristol	342	39
Bellingham	341	40
Washington	340	41
Las Vegas	339	42
New Haven - Waterbury - Meriden	338	43
Toledo	338	43
Worcester - Fitchburg - Leominster	333	45
Sacramento	331	46
Midland, Tex	330	47
Rochester, Minn	330	47
Dallas	326	49
Bradenton	324	50
Oakland	323	51
Knoxville	322	52
Minneapolis - St. Paul	322	52
Abilene	320	54
Santa Cruz	320	54
Oklahoma City	319	56
Gainesville	313	57
Phoenix	312	58
Boise	311	59
La Crosse	311	59
Miami - Hialeah	311	59
Cheyenne	310	62
Daytona Beach	309	63
Fort Wayne	309	63
Austin	307	65
Houston	307	65
Green Bay	305	67
Monmouth - Ocean	303	68
New Orleans	303	68
Bryan - College Station	302	70
Vallejo - Fairfield - Napa	302	70
Providence - Pawtucket - Woonsocket	301	72
Santa Rosa - Petaluma	301	72
Ann Arbor	300	74
Lancaster	299	75
Spokane	298	76
Olympia	297	77
Santa Fe	297	77
Champaign - Urbana - Rantoul	296	79
South Bend - Mishawaka	296	79
Sioux Falls	294	81
Tallahassee	292	82
Akron	291	83
Tampa - St. Petersburg - Clearwater	291	83
Albuquerque	290	85
Kalamazoo	289	86
Nassau - Suffolk	289	86
Fargo - Moorhead	288	88
Trenton	288	88
Cleveland	287	90
Rochester, N.Y.	286	91
Bakersfield	285	92
Casper	285	92
Tacoma	284	94
Cincinnati	283	95
Glens Falls	283	95
Lafayette, La	283	95
San Angelo	283	95
Atlanta	281	99
Chico	281	99

ADI NAME	Sales Per Capita	Ranking
Santa Barbara - Santa Maria - San Luis Obispo	524	1
Boston	474	2
San Francisco	464	3
Sarasota	462	4
Salisbury	444	5
Flagstaff	435	6
Denver	398	7
West Palm Beach	390	8
Miami	372	9
Los Angeles	370	10
Springfield, Mass	370	10
San Diego	366	12
Reno	361	13
Salinas - Monterey	361	13
Seattle - Tacoma	359	15
Grand Junction	343	16
Madison	342	17
Hartford - New Haven	336	18
Portland - Poland Spring	336	18
Las Vegas	333	20
Eureka	325	21
Ft. Myers - Naples	318	22
New York	318	22
Palm Springs	313	24
Providence - New Bedford	312	25
Burlington - Plattsburgh	311	26
Portland, Ore	310	27
Washington, D.C.	308	28
Orlando - Daytona Beach - Melbourne	305	29
Glendive	304	30
Helena	304	30
Rochester, N.Y.	292	32
Gainesville	291	33
Billings - Hardin	289	34
Minneapolis - St. Paul	289	34
Panama City	288	36
Phoenix	288	36
Sacramento - Stockton	288	36
Austin, Tex	285	39
Bakersfield	285	39
Odessa - Midland	281	41
Houston	279	42
Chico - Redding	272	43
Cheyenne	270	44
Dallas - Ft. Worth	269	45
Milwaukee	268	46
Tampa - St. Petersburg	267	47
Toledo	267	47
Butte	266	49
Casper - Riverton	266	49
Mankato	263	51
Bend	262	52
Charlottesville	261	53
Oklahoma City	261	53
Albany - Schenectady - Troy	260	55
New Orleans	260	55
Chicago	257	57
Detroit	257	57
Philadelphia	255	59
Cleveland	253	60
Lima	253	60
Yakima	253	60
Florence, S.C.	252	63
Boise	250	64
Medford	249	65
San Angelo	246	66
Traverse City - Cadillac	246	66
Colorado Springs - Pueblo	244	68
La Crosse - Eau Claire	244	68
Roswell	243	70
Duluth - Superior	242	71
Atlanta	240	72
Cincinnati	240	72
Missoula	240	72
Spokane	240	72
Bangor	239	76
El Centro - Yuma	238	77
Ft. Wayne	238	77
Harrisburg - York - Lancaster - Lebanon	236	79
North Platte	236	79
Rapid City	236	79
Tucson	236	79
Syracuse	235	83
Albuquerque	234	84
Eugene	233	85
Lafayette, Ind	230	86
Great Falls	229	87
Green Bay	228	88
Kansas City	227	89
Omaha	227	89
Biloxi - Gulfport - Pascagoula	224	91
Norfolk - Portsmouth - Newport News - Hampton	224	91
Buffalo	223	93
Knoxville	223	93
Victoria	223	93
Baltimore	221	96
Grand Rapids - Kalamazoo - Battle Creek	220	97
Columbus, Ohio	219	98
Corpus Christi	218	99

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TOP 100 RAI MARKETS

BY METRO AREA 1985

Metro Area Name	RAI	Ranking
Honolulu	232	1
Panama City	188	2
San Francisco	180	3
Anchorage	171	4
Kalamazoo	154	5
Boston - Lawrence - Salem - Lowell - Brockton	148	6
Green Bay	148	6
Anaheim - Santa Ana	144	8
New York	144	8
Salinas - Seaside - Monterey	143	10
Fort Walton Beach	139	11
Houma - Thibodaux	139	11
Madison	139	11
Ann Arbor	138	14
Fort Lauderdale - Hollywood - Pompano Beach	136	15
Champaign - Urbana - Rantoul	135	16
Lafayette - West Lafayette	135	16
Atlantic City	134	18
Oklahoma City	134	18
Atlanta	133	20
Portland, Ore	132	21
Biloxi - Gulfport	130	22
Lafayette, La	130	22
Lexington-Fayette	130	22
San Diego	130	22
Savannah	130	22
Orlando	129	27
Dallas	128	28
San Jose	128	28
Austin	127	30
Indianapolis	127	30
Seattle	127	30
Santa Barbara - Santa Maria - Lompoc	126	33
Bloomington, Ind	122	34
Cheyenne	122	34
Los Angeles - Long Beach	121	36
Washington	121	36
Columbia, S C	120	38
Grand Rapids	119	39
Muncie	119	39
Bloomington - Normal	118	41
Chicago	118	41
State College	118	41
Colorado Springs	117	44
Denver	117	44
Knoxville	117	44
Lincoln	117	44
Miami - Hialeah	117	44
Salem, Ore	116	49
Battle Creek	115	50
Fargo - Moorhead	115	50
Jacksonville, Fla	115	50
Lubbock	115	50
Norfolk - Virginia Beach - Newport News	115	50
Sarasota	115	50
Albuquerque	114	56
Amarillo	114	56
Fort Smith	114	56
Fort Wayne	114	56
Odessa	114	56
Abilene	113	61
Boise	113	61
Bryan - College Station	113	61
Huntsville	113	61
Louisville	113	61
Wichita Falls	113	61
Worcester - Fitchburg - Leominster	113	61
New Orleans	112	68
San Antonio	112	68
Santa Fe	112	68
South Bend - Mishawaka	112	68
West Palm Beach - Boca Raton - Delray Beach	112	68
Wilmington, N C	112	68
Burlington, Vt	111	74
Cincinnati	111	74
Columbus, Ohio	111	74
Flint	111	74
Houston	111	74
Nashville	111	74
Sacramento	111	74
Tallahassee	111	74
Tulsa	111	74
Hartford - New Britain - Middletown - Bristol	110	83
La Crosse	110	83
Las Cruces	110	83
Eugene - Springfield	109	86
Killeen - Temple	109	86
Lawrence, Kans	109	86
New London - Norwich	109	86
Santa Cruz	109	86
Tacoma	109	86
Bellingham	108	92
Bismarck	108	92
Daytona Beach	108	92
Greensboro - Winston-Salem - High Point	108	92
Melbourne - Titusville - Palm Bay	108	92
Bridgeport - Stamford - Norwalk - Danbury	107	97
El Paso	107	97
Fayetteville - Springdale	107	97

BY ADI

ADI NAME	RAI	Ranking
Flagstaff	148	1
Biloxi - Gulfport - Pascagoula	144	2
Salisbury	139	3
Boston	134	4
San Francisco	132	5
San Diego	130	6
Panama City	129	7
Lafayette, Ind	128	8
Santa Barbara - Santa Maria - San Luis Obispo	128	8
Miami	125	10
Los Angeles	123	11
Salinas - Monterey	123	11
Atlanta	121	13
Portland, Ore	120	14
Madison	119	15
Austin, Tex	118	16
Sarasota	115	17
Washington, D C	115	17
Seattle - Tacoma	114	19
Chicago	112	20
Dallas - Ft. Worth	112	20
Denver	112	20
Indianapolis	111	23
Oklahoma City	111	23
Orlando - Daytona Beach - Melbourne	111	23
New Orleans	110	26
Florence, S C	109	27
Norfolk - Portsmouth - Newport News - Hampton	108	28
Lima	107	29
New York	107	29
Bowling Green	105	31
Detroit	105	31
El Paso	104	33
Grand Rapids - Kalamazoo - Battle Creek	104	33
Houston	104	33
Baltimore	103	36
Columbus, Ohio	103	36
Hartford - New Haven	103	36
Jacksonville	103	36
Lansing	103	36
Columbia, S C	102	41
Springfield, Mass	102	41
Cincinnati	101	43
Milwaukee	101	43
North Platte	101	43
West Palm Beach	101	43
Ft. Wayne	100	47
Gainesville	100	47
Las Vegas	100	47
Louisville	100	47
Rochester, N Y	100	47
Sacramento - Stockton	100	47
Savannah	100	47
Bakersfield	99	54
Colorado Springs - Pueblo	99	54
Toledo	99	54
Waco - Temple	99	54
Charleston, S C	98	58
Eugene	98	58
Ft. Smith	98	58
Green Bay	98	58
Jackson, Tenn	98	58
San Antonio	98	58
South Bend - Elkhart	98	58
Cheyenne - Scottsbluff	97	65
Greensboro - Winston-Salem - High Point	97	65
Knoxville	97	65
Tulsa	97	65
Flint - Saginaw - Bay City	96	69
Minneapolis - St. Paul	96	69
Philadelphia	96	69
San Angelo	96	69
Kansas City	95	73
Lincoln - Hastings - Kearney	95	73
Albuquerque	94	75
Bend	94	75
Dayton	94	75
Palm Springs	94	75
Parkersburg	94	75
Springfield - Decatur - Champaign	94	75
Tampa - St. Petersburg	94	75
Tucson	94	75
Cleveland	93	83
Tallahassee - Thomasville	93	83
Wichita Falls - Lawton	93	83
Lexington	92	86
Lubbock	92	86
La Crosse - Eau Claire	91	88
Medford	91	88
Peoria	91	88
Boise	90	91
Odessa - Midland	90	91
Omaha	90	91
Phoenix	90	91
Portland - Poland Spring	90	91
Raleigh - Durham	90	91
Zanesville	90	91
Jonesboro	89	98
Nashville	89	98

TOP 100 RGI MARKETS

BY METRO AREA 1985 BY ADI

Metro Area Name	RGI	Ranking
Las Vegas	665	1
Reno	422	2
Atlantic City	400	3
Orlando	171	4
Honolulu	153	5
Rochester, Minn	152	6
Anchorage	150	7
Washington	141	8
Dallas	136	9
Bismarck	135	10
Huntsville	135	10
Charleston, S.C	131	12
Houston	130	13
Minneapolis - St. Paul	128	14
Atlanta	127	15
Ann Arbor	126	16
Pascagoula	125	17
Phoenix	125	17
Casper	122	19
Miami - Hialeah	122	19
Montgomery	122	19
Newark	121	22
Baton Rouge	120	23
New Orleans	120	23
Beaver County, Pa	119	25
Boston - Lawrence - Salem - Lowell - Brockton	119	25
Denver	118	27
Middlesex - Somerset - Hunterdon	118	27
San Jose	118	27
Albany, Ga	117	30
Jackson, Miss	117	30
Knoxville	117	30
Lafayette, La	117	30
West Palm Beach - Boca Raton - Delray Beach	117	30
Baltimore	116	35
Iowa City	116	35
Lancaster	116	35
Nashville	116	35
Salt Lake City - Ogden	116	35
Augusta	115	40
Harrisburg - Lebanon - Carlisle	115	40
Philadelphia	115	40
Wilmington, Del	115	40
Memphis	114	44
Raleigh - Durham	114	44
Savannah	114	44
Brazoria	113	47
Grand Rapids	113	47
Lansing - East Lansing	113	47
Tallahassee	113	47
Trenton	113	47
Houma - Thibodaux	112	52
Louisville	112	52
Manchester - Nashua	112	52
Pensacola	112	52
Chicago	111	56
Columbia, S.C	111	56
Sioux Falls	111	56
Anniston	110	59
Binghamton	110	59
Jacksonville, Fla	110	59
Kansas City	110	59
St. Louis	110	59
Salinas - Seaside - Monterey	110	59
San Francisco	110	59
Florence, S.C	109	66
Hagerstown	109	66
Bremerton	108	68
Charlotte - Gastonia - Rock Hill	108	68
Fort Worth - Arlington	108	68
Hartford - New Britain - Middletown - Bristol	108	68
Little Rock - North Little Rock	107	72
Los Angeles - Long Beach	107	72
Macon - Warner Robins	107	72
Madison	107	72
New York	107	72
Beaumont - Port Arthur	106	77
Bergen - Passaic	106	77
Birmingham	106	77
Burlington, Vt	106	77
Decatur	106	77
Flint	106	77
Lexington-Fayette	106	77
Mobile	106	77
Cincinnati	105	85
Columbia, Mo	105	85
Grand Forks	105	85
Indianapolis	105	85
Saginaw - Bay City - Midland	105	85
Asheville	104	90
Charlottesville	104	90
Cheyenne	104	90
Jackson, Tenn	104	90
San Diego	104	90
Tuscaloosa	104	90
Galveston - Texas City	103	96
Hickory	103	96
Jersey City	103	96
Lake Charles	103	96
Laredo	103	96

ADI NAME	RGI	Ranking
Las Vegas	654	1
Reno	385	2
Philadelphia	138	3
Flagstaff	130	4
Washington, D.C	130	4
Orlando - Daytona Beach - Melbourne	127	6
Charleston, S.C	124	7
Baton Rouge	123	8
Houston	122	9
Atlanta	120	10
Savannah	119	11
Dallas - Ft. Worth	117	12
Jackson, Miss	115	13
Phoenix	115	13
Baltimore	114	15
New Orleans	114	15
Jacksonville	112	17
Miami	111	18
Montgomery	111	18
Augusta	110	20
Salt Lake City	110	20
Columbia, S.C	109	22
Hagerstown	109	22
Harrisburg - York - Lancaster - Lebanon	109	22
Knoxville	109	22
Macon	109	22
Mobile - Pensacola	108	27
West Palm Beach	108	27
Alexandria, La	107	29
Boston	107	29
Tallahassee - Thomasville	107	29
Louisville	106	32
Minneapolis - St. Paul	106	32
Lake Charles	105	34
Lansing	105	34
Chicago	104	36
Columbus, Ga	104	36
Denver	104	36
Los Angeles	104	36
New York	104	36
San Diego	104	36
San Francisco	104	36
Tuscaloosa	104	36
Biloxi - Gulfport - Pascagoula	103	44
Bristol - Kingsport - Johnson City	103	44
Charlotte	103	44
Florence, S.C	103	44
Nashville	103	44
Albany, Ga	102	49
Beaumont - Port Arthur	102	49
Detroit	102	49
Huntsville - Decatur - Florence	102	49
Lafayette, La	102	49
St. Louis	102	49
Birmingham	101	55
Grand Junction	101	55
Memphis	101	55
Raleigh - Durham	101	55
Roanoke - Lynchburg	101	55
Binghamton	100	60
Charlottesville	100	60
Cincinnati	100	60
Greensboro - Winston-Salem - High Point	100	60
Kansas City	100	60
Norfolk - Portsmouth - Newport News - Hampton	100	60
Tampa - St. Petersburg	100	60
Alpena	99	67
Bluefield - Beckley - Oak Hill	99	67
Casper - Riverton	99	67
Glendive	99	67
Lafayette, Ind	99	67
Richmond	99	67
Chattanooga	98	73
Laredo	98	73
Rochester, N.Y	98	73
Hartford - New Haven	97	76
El Paso	96	77
Harrisonburg	96	77
Pittsburgh	96	77
Columbus, Ohio	95	80
Dothan	95	80
Lexington	95	80
Meridian	95	80
Milwaukee	95	80
Monroe - El Dorado	95	80
Parkersburg	95	80
Cleveland	94	87
Grand Rapids - Kalamazoo - Battle Creek	94	87
Laurel - Hattiesburg	94	87
Columbus - Tupelo	93	90
Shreveport - Texarkana	93	90
Tucson	93	90
Flint - Saginaw - Bay City	92	93
Greenville - Spartanburg - Asheville	92	93
Indianapolis	92	93
Palm Springs	92	93
San Antonio	92	93
Bakersfield	91	98
Jackson, Tenn	91	98
Salinas - Monterey	91	98
Seattle - Tacoma	91	98

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COVER PHOTOGRAPHY BY BEN CASEY

COVER STORY

HARDEE'S BURGER BATTLE PLAN

BY KEVIN FARRELL

The fourth-largest hamburger chain in the U.S. is trying to bounce back from unspectacular 1985 results. Its strategy is to concentrate on operations, to grow at 15 percent annually, and to emphasize quality. Long-term, Hardee's intends to become a national presence. An acquisition is likely.

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HARDEE'S BURGER BATTLE PLAN

A reformulated burger, a new president, and a new marketing plan are all in place.

Hardee's Restaurant Systems, currently the fourth-largest hamburger chain and a major player in midwest, southeast, and mid-Atlantic markets, has set its sights on becoming a 5,000-unit national chain by 1991.

Within the next five years, the 2,600-unit chain will have to grow at 15 percent a year to reach that goal. And, to attain that penetration, Hardee's will undoubtedly have to purchase an existing fast food chain operating in markets where the chain is not now a presence.

But, for the moment, Hardee's attentions are focused closer to home. Following a lackluster fiscal 1986 (ended March 31)—during which systemwide sales reached $2.4 billion, average unit volume increased by a mere $1,000, only 28 company-owned units were opened, and operating earnings increased by a disappointing $4 million—Hardee's now has a new president, a new marketing campaign, and a new flagship product. In addition, a $200 million remodeling program is underway, and the chain intends to aggressively expand into new types of locations with its limited menu "Express" unit. Numerous other changes are in the offing as part of a major repositioning of the chain as it moves to become a national presence.

Hardee's parent, Montreal-based Imasco Limited, an $8.6 billion Canadian conglomerate primarily involved in tobacco and drug stores, has generally left the fast food chain to its own devices since it purchased Hardee's in 1981. But, following last year's less-than-optimal performance—which Hardee's chairman Jack Laughery says was the "only time I ever missed a budget" and Imasco's annual report blames on sluggish U.S. restaurant industry conditions—Imasco's brass made its desire for strong unit, sales, and earnings growth felt at Hardee's.

This year, Hardee's intends to open 57 company-owned units and 230 franchised stores, and projects average unit volumes up five percent. Sales are expected to increase by almost 10 percent systemwide.

NEW DIRECTIONS. To get Hardee's back on track, operations have become the key focus. Hardee's new president and chief operating officer, 39-year-old William E. Prather Jr. was lured away from the number two burger chain, Miami-based Burger King Corp., in March, where he had developed a strong operations-oriented philosophy during his 14-year career, most recently as executive vice president of worldwide operations. Already, Prather has made operational changes at the unit and regional levels in an attempt to decentralize decision-making and get closer to the consumer. He brought in an operations hand from Burger King to consolidate operational responsibility in Rocky Mount, NC, Hardee's headquarters. In addition, the speciality foods division, formerly responsible for innovative locations and limited menu operations, was disbanded.

Hardee's new president, William E. Prather, Jr., is emphasizing operations, training, and quality.

Now, with a recently introduced, reformulated quarter-pound hamburger which the chain claims is thicker and juicier than its competitors' products, and a newly developed, top-side grill on the way to its stores, Hardee's is attempting to take the "high road" in the ongoing burger wars. "We want to be known as *the* quality fast food chain," says Laughery, 51, chairman of Hardee's and president and CEO of Imasco, USA. An $18 million marketing blitz accompanying the reformulated burger emphasizes quality, and Hardee's intends to follow up with more new products and advertising designed to draw in the young, affluent customer in search of quality.

MARKETING STRATEGIES. "We're going at things a different way," emphasizes Laughery. "We're creating the product the consumer wants and then pricing it. Frankly, we are not as concerned about price today. If we give them the product they want, they're willing to pay for it." The reformulated hamburger, developed by Hardee's Fast Food Merchandisers (FFM) manufacturing division, which provides about 80 percent of Hardee's products, is served in three ways: as a quarter pounder with cheese, (priced at $1.19-$1.29); as a bacon cheeseburger, ($1.39-$1.49); and in a "Deluxe," which includes all the trimmings and sells for $1.79 to $1.89.

This quality, or "high road" strategy, as well as Hardee's growth projections, are laced with potential pitfalls, as Hardee's management is quick to acknowledge. "We have a perceptual problem," admits Prather. "We're known for breakfast and roast beef, both of which we do very well. But we've soft-pedaled the burger business for a number of years, and to bring them in for a consistent, quality product, changes will have to be made."

There was good reason to downplay the burgers for years, according to Laughery, who admits that "the old product was just not good." But Hardee's believes it has solved the problem with its new quarter-pound hamburger, developed after six years of market research and product testing by FFM. Although Imasco's annual report lists the fiscal 1986 development cost of the burger at $11.5 million, Laughery thinks the approximate cost of the entire six-year development process is more like $75 million, when expenditures by the entire Hardee's "family," including Imasco, corporate, and franchisees are taken into account.

But Laughery feels the payoff will be well worth the cost. "We tinkered with our sandwiches and gradually improved them over the years, but now we have a real quality sandwich that we can market," he crows. The $18 million marketing campaign, using the

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Chairman of Hardee's and Imasco USA, Jack Laughery has high hopes for the chain he has guided for 13 years.

HOW HARDEE'S COMPARES

COMPANY NAME	SYSTEMWIDE SALES	NUMBER OF UNITS	COMPANY-OWNED UNITS	FRANCHISED UNITS	AVERAGE UNIT VOLUME	1986 AD BUDGET
McDonald's	$11.5 bil.	8,901	2,165	6,736	$1.3 mil.	$686 mil.
Burger King	$4.5 bil.	4,743	839	3,904	$1.1 mil.	$180 mil.
Wendy's	$2.7 bil.	3,442	1,257	2,185	$848,000	N/A*
Hardee's	$2.4 bil.	2,562	875	1,687	$803,000	$45 mil.

tag line "A Little Closer To Home," began in April, emphasizing Hardee's quality differences from its competitors.

BURGER WAR PARTICIPATION. The opening TV commercial in the campaign pitted legions of Hardee's major competitors' advertising characters—Ronald McDonald, (McDonald's) Clara Peller (Wendy's) and Herb (Burger King)—against one another in a mock war in which they all knock each other out, leaving Hardee's to trumpet its thick and juicy new burger. The marketing campaign has continued through the summer and early fall with an emphasis on the new burger's manufacturing process and the fact that it is made from American, not imported, beef. And Hardee's executive vice president of marketing, Gary Langstaff, 38, claims that Hardee's is the first chain to show its burger being cut in half on television, a testament to its quality. "We're the only one that has ever really been able to show it," he says.

And the new burger—as well as the advertising campaign—appears to be paying off. According to Hardee's research, top-of-mind restaurant awareness increased by 28 percent, surpassing Burger King and Wendy's in key Hardee's markets during the April-June quarter. Large hamburger sales are now running 30 percent ahead of 1985 totals, and Prather thinks the burger is responsible for the one and a half percent real growth increase in same store sales for the first quarter. Operating earnings for the quarter increased 16 percent, customer counts are up over one percent, and systemwide real sales growth is running three percent ahead of year-ago totals.

The new burger is the beginning of its "high road" strategy in the burger battle, focusing on quality.

But Hardee's executives are cautious. "Of course, a certain amount of that is the result of the campaign and getting people to come in and try it once. The trick is to keep them coming back," says Prather.

MENU CHANGES. The reformulated hamburger products are, according to Hardee's executives, acting as a catalyst for change at the 25-year-old chain. A major strategic repositioning was undertaken in the wake of fiscal 1986's disappointing results. The result, titled "Vision 90," is being touted by Hardee's executives as a blueprint for change. In addition to the new hamburgers, other menu changes are in the works:

- The "Canadian Sunrise," a breakfast biscuit sandwich with Canadian bacon, cheese, hickory-smoked bacon strips, and an egg is now in the process of being rolled out systemwide.
- The mushroom and cheese hamburger, which met with only limited success in the past, will be re-introduced systemwide with the reformulated hamburger.
- Pre-packaged salads will go into test, with rollout expected in Spring, 1987.
- A "distinctive" chicken finger food product is targeted for Summer, 1987.
- Varieties of ice cream are now being tested, including a soft-serve, a firm-serve, and a hard ice cream with mix-ins. One will be selected for systemwide rollout by Summer, 1987.
- Work has begun on a variety of products which could be sold and marketed as dinner fare, tentatively scheduled for late 1987.

But Hardee's management says the chain will avoid trying to become all things to all people. Prather insists Hardee's intends to stay in the fast food business, and he is clearly not a proponent of menu proliferation. "We will keep it simple and fast. For every menu item we add, we have to look at something else to take off," he says.

And Prather is quick to question the rest of the menu, as well as the positioning of Hardee's. "I'm not so sure that what the world needs is another fast food burger chain. For that reason, I think the roast beef sandwich offers us a tremendous advantage because it helps us break through the clutter. While we'll continue to promote the burger, we have other strengths as well. Certainly, the specialty sandwiches are one." In addition to two sizes of roast beef sandwiches, Hardee's also sells chicken, fish, and hot ham and cheese sandwiches.

The chain is aiming new menu items at specific demographic groups—particularly working women—in order to boost its market share, which now to-

Today, the typical Hardee's unit offers drive-thru service and seats about 40.

tals about one and a half percent of all restaurant sales in the U.S., or about 10 percent of the sales among the big four hamburger chains.

When it rolls one out, Hardee's will be the last among the major—and even well behind some minor—fast food chains to market a chicken finger food product. Like the lighter chicken product, pre-packaged salads are clearly targeted at the women Hardee's now does a poor job of luring into its stores. The customer base is 55 percent male, partially as a result of past advertising campaigns, which included race car drivers and a male soap opera star.

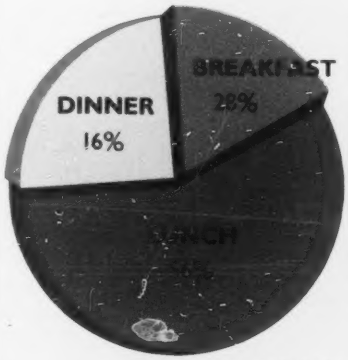
Says Prather: "Is the working woman going to come into a Hardee's? Not in great numbers. We need lighter fare. Our growth projections are dependent upon getting more women to come in."

But, once Hardee's gets the consumer—be it male or female—into the store, it wants to insure a consistent, quality experience, something Hardee's research shows consumers don't necessarily expect from the chain today. While Hardee's biscuit breakfast has proven to be a tremendous success (28 percent of all sales occur during breakfast hours), the chain is not noted for the speed of its service or the consistency of its food.

OPERATIONS EMPHASIS. To remedy that situation, management has turned its attention to operations. "The Hardee's sign has to mean the same to the consumer in one location as it does in another, and that isn't necessarily true today," admits Prather. "In some cases, the drive-thrus aren't fast enough, and service inside often has the same problem. And there are inconsistencies in food quality throughout the system." Prather thinks that Hardee's has been a "development-driven company, and now operations people will have to become the real leaders."

To begin correcting this problem, Hardee's will re-emphasize training, which Laughery calls the "linchpin" in Hardee's growth plans. "We can't grow the way we want to without the people," says Laughery. "If you look at what has tripped up the fast food chains that have had growth trouble, it usually isn't the financing, it's the people, or rather, the lack of people. If you don't have the people to run the restaurants, nothing is going to work."

WHEN THE SALES ARE



SOURCE RB RESEARCH

The big question for the chain is: When will it become a national entity, and how will it compete?

Laughery admits that the growth Hardee's is talking about will be virtually impossible without a major commitment to training. And, to that end, Hardee's is exploring sites for its university, which may be built on land opposite its headquarters. It will contain at least two test kitchens and extensive, state-of-the-art facilities for training both franchisees and management. According to Prather, "Cost will not be a factor in putting together the best training facility possible."

In another move to improve operations, store managers are strongly encouraged to throw a product out when its time is up. During a recent visit to a store following the lunch rush, Laughery went to the trash pile first, and his face lit up when he saw the large amount of food being thrown away. "The hardest thing to do in this business is to get them (unit managers) to throw it away when it has to be tossed. They hate doing it, but we're starting to see progress, at long last," he says.

Ultimately, a new computer system now under development by Hardee's operations services group will track product needs on a unit basis and print out projections in 15-minute increments for store managers so the amount of waste can be further cut while ensuring that consumers receive the hottest and freshest product available. According to Gerry Richards, 50, executive vice president for operations services, "The new system will be able to predict volume almost perfectly."

NEW MEANS OF GROWTH. But operations isn't the only focus at the fifth largest U.S. foodservice company. Other changes are in the works. Although Hardee's has long been at the forefront of the fast food industry's search for new sources of revenue—it opened its first nontraditional location in 1980 on the Pennsylvania Turnpike—it is now searching for additional innovations in terms of location. Currently, two scaled-down Express units are being tested. One, located in metropolitan Asheville, NC, is a company-owned unit offering a double drive-thru and walk-up. Says Donald Mucci, 46, senior vice president of restaurant development: "So far, it is exceeding expectations."

The other, in rural Holy Hill, SC, is owned by a franchisee and has some seating. Both units offer a limited Hardee's menu: burgers, biscuits, fries, and sodas. The cost of land, building, and equipment for an Express unit is under $500,000, according to Mucci, compared to $850,000 for an average unit. But some at Hardee's think the chain should be concentrating its resources on urban food-court locations instead of rural drive-thrus. Says Mucci: "In the past, many chains have found that an area that can support a down-sized unit can handle a full-sized one, so why do the smaller one?" One reason: the return on investment can be up to 20 percent higher.

Another avenue now being explored by Hardee's is a deal with 7-Eleven, the 8,500-unit convenience store division of Dallas-based Southland Corp., which has become a Hardee's licensee. Now, in 10 units in the St. Louis area, a limited Hardee's menu is being offered in 7-Eleven stores. If successful, the ex-

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HARDEE'S BURGER BATTLE PLAN

periment could be expanded. But there is one potential stumbling block: Such an arrangement worries Hardee's franchisees, who fear that the ministores may cannibalize their own full-size units. Prather believes their fears have been addressed. "In the test, we are watching closely for cannibalization. We have also guaranteed our franchisees that their territorial arrangments would be protected."

Hardee's is exploring other nontraditional locations, and has looked into mobile units, but the division that handled that sort of experimentation has been disbanded under Prather.

MACRO PROBLEMS. In addition to trying to eke growth out of its existing markets, Hardee's faces other potential difficulties. Among them: a sluggish economy which is now threatening a downturn, the notorious fickleness of the fast food consumer, and most importantly, the heated competition in the hamburger segment.

Hardee's sees itself as a major, 5,000-unit chain by 1991. It could even pass Wendy's in some respects by then.

Hardee's faces three extremely strong national competitors, McDonald's, Burger King, and Wendy's, which together will spend about $1 billion this year on advertising. Hardee's and its franchisees will ante up a total of about $45 million in 1986 for its advertising. And, in a day when "the name of the game is market share," according to John D. Merritt, vice president of government and public affairs, those advertising dollars can be the determining factor. Although Hardee's outpaces the big three in many ways in its home markets, the dynamics of the game would change if Hardee's became a national chain. Says Prather: "We really have to be a national chain within five years, because that TV is very important to us. Now, without network television buys, it is difficult to control our marketing, and it isn't cost-efficient. We've got to get in that game." But, cautions Laughery: "While becoming a national chain is certainly important, we don't intend to do it at the expense of our extremely strong regional trademark."

ACQUISITIONS. A quick look at the growth projections that Hardee's executives toss around leads an observer to a simple conclusion: In order to achieve the kind of growth Imasco wants and Hardee's hopes for, it will have to make a major acquisition, or a series of smaller acquisitions, over the next five years. Admits Laughery: "In a restaurant environment such as the current one, pressure is placed on smaller regional chains. That's not so good for them, but it could mean excellent opportunities for us." Beyond that, Laughery won't speculate on Hardee's acquisition plans, except to say that money is not a problem. "If there was something significant we wanted to buy, the money is there."

But it is no secret around Hardee's headquarters that another acquisition

A CHANGING OF THE GUARD

Jack Laughery's decision to bring an outsider in as president of Hardee's was a unique one. A proud, insular company that has rarely hires from the other burger giants, Hardee's has basically been under one-man rule by Laughery for 13 years. In 1972, Hardee's founder, Leonard Rawls, purchased Kewanee, IL-based Sandy's Systems, Inc., a 200-unit restaurant chain of which Laughery was then president. A year later, Rawls moved up to chairman and CEO, making Laughery president and COO.

NEW BLOOD. Laughery has been the architect of Hardee's growth from a small, 800-unit chain into a major presence as the fourth largest hamburger (and fifth largest foodservice) chain in the U.S. Now, he admits, "The time is ripe for new blood." William E. Prather, Jr. was the answer, coming to Hardee's in March from Burger King. He has brought an operational focus to Hardee's, which is now struggling to upgrade its image and go national.

NOT ALL ROSES. But some Hardee's old-timers have not taken well to Prather's style or his early decisions. And some don't like to see Laughery, at a relatively early age, giving up so much control to a newcomer. Says one veteran: "Ultimately, the big fear is that two camps may develop." Laughery and Prather both deny that such a situation is in the offing, with Prather emphasizing that "communication is the key, and Jack and I spend a lot of time together."

But Prather has already made decisions that have worried some insiders. Within a month of his arrival, the head of marketing was axed, now replaced by his former deputy, following a three-month period of uncertainty. And Prather shut down the specialty foods division, which operated almost autonomously and was responsible for Hardee's "entrepreneurial" endeavors. Some old-time Hardee's employees think that may have been a mistake, a decision they say Prather will have to reconsider within a few years.

BK EXODUS? Other executives were worried that a troop would follow Prather to Hardee's from Burger King, which has had its share of management troubles of late. So far, Prather has brought two Burger King veterans into top slots, but he says that will be all. "I have no intention of raiding Burger King," he says.

For his part, Laughery intends to stay active, while acknowledging a desire to retire within five years or so. Increasingly, he focuses on his other responsibilities as chairman of Imasco USA, the Canadian conglomerate's U.S. wing. Also under Laughery's direction is the Grisanti Restaurant Division, an Italian dinner house concept Imasco hopes to expand. Grisanti has opened a prototype unit in Omaha, and at least two others are expected to follow within the year.

is in the offing. "We're in the market for another major fast food chain, and it will probably happen within the next year," says one executive. Another Hardee's insider says that preliminary discussions have already been held with three major regional chains with geographical bases which would significantly expand Hardee's markets.

WHAT TO BUY. Over its 25-year history, Hardee's has not been reluctant to grow through acquisition. In 1972, Hardee's purchased Sandy's Systems, a 213-unit chain with a midwestern base. Ten years later, Hardee's bought 650-unit Burger Chef from owner General Mills Corp., also with a strong midwestern franchise. Now, the time again appears ripe for Hardee's to go on a shopping spree. Among the chains reportedly now being considered by Hardee's as potential acquisitons:

- Roy Rogers. The purchase of this 550-unit division of the Marriott Corp., which is reportedly for sale, would give Hardee's entree into the Baltimore/Washington, DC, markets as well as Virginia, Maryland, parts of the Midwest, New York City, and some New England penetration.
- Whataburger, Inc. The purchase of this privately-owned Corpus Cristi, TX-based chain, with 400 units, would move Hardee's into nine states, including Texas and California.
- Carl Karcher Enterprises. With almost 500 units, the purchase of this Anaheim, CA-based chain would bring Hardee's into an immediate leadership position in California.
- Jack-in-the-Box. Buying this 850-unit, San Diego-based chain would also provide Hardee's with entrance into California markets.

But a major acquisition could present problems for Hardee's. Litigation resulting from the Burger Chef purchase is still underway, and conversion to another concept is often blocked by existing agreements or contracts.

But, in the end, the advantages of acquisition far outweigh the potential stumbling blocks. The greatest advantage, according to Laughery, is in the acquisition of the people required to successfully operate the units. "When you make a purchase like that," says Laughery, "You don't just buy bricks and mortar. You need the people more than anything." For that reason, a purchase of the magnitude Hardee's is looking for has to be handled carefully. The only way Hardee's will achieve a national presence in the time frame it wants is through acquisition.

Left, vice president for government affairs, John Merritt. Right, Donald Mucci, sr. vice president of restaurant development.

LOOKING AHEAD. And then what? Will Hardee's be able to compete with the giants? It will certainly change the nature of the burger wars. "In terms of units, we won't catch McDonald's or Burger King," admits Laughery. But surpassing Wendy's, now the third largest hamburger chain, with 3,500 units, is a realistic goal, he says. Prather emphasizes the high road burger strategy, although he also thinks Wendy's can be caught in terms of average unit volume and in average return on invested capital. "To be the best fast food chain in the U.S.," he says, "we don't need 6,000 units. We are not in hot pursuit of any of our competitors in terms of the number of units, although I do think we will surpass one of them at some point."